NYISO Management Committee Meeting

September 29, 2006
Meeting Agenda
New York State Nurses Association

10:05 a.m. – 4:00 p.m.

Draft MINUTES OF THE MEETING

1. Introduction, Meeting Objectives & Chairman's Report

Mr. Jerry Ancona (National Grid), Chairman, called the meeting to order at 10:05 a.m. He gave a preview of the agenda items. He noted concerns with the process for addressing the three motions associated with in-city capacity, and added that his goal was to adhere to the bylaws. He spoke about the rules for Agenda #8, stating that each presenter had 10 minutes to speak about his or her proposal.

Mr. James D'Andrea (KeySpan-Ravenswood) asked for clarification regarding motions and amendments and said he did not want KeySpan's motion characterized as an amendment. Mr. Timothy Foxen (NRG) stated that it was of specific importance to NRG to have its item considered as a stand-alone motion. He also stated his objection to the change in the order of the agenda since there were those in his company that would be dialing in after lunch. After discussion of the bylaws, and additional concerns raised with the revised agenda order, a motion was made and seconded to challenge the Chair's decision to revise the order.

Motion #1:

Motion to challenge to Chair's ruling regarding the order of agenda items for the September 29, 2006 Management Committee meeting.

Motion failed with 47.46% affirmative votes.

Under the Chairman's Report, Mr. Ray Stalter (NYISO) noted that the 2007 budget was presented to the Budget Standards and Performance Subcommittee on September 27. The MC is asked to review materials distributed for that meeting and provide comments to Mr. Stalter for further discussion by the subcommittee.

2. Approval of Minutes

Mr. Stalter presented the minutes from the August 8 and August 30 meetings. No comments were received prior to, or during the meeting.

Motion #2:

Motion to approve the Minutes of the August 8, and August 30 Management Committee meetings.

Motion approved unanimously by show of hands.

3. President's Report.

Mr. Mark Lynch (NYISO) presented the monthly report. He noted that the September software deployment was successful, and included a switch over to the ACC for three days. The switch-over was transparent to MPs. He noted some difficulty with a telemetering issue, which will be addressed with the October deployment. This issue will be discussed further at an upcoming working group.

7. Keyspan Ravenswood Appeal of Motion 2A from the August 9, 2006 Business Issues Committee

Jim D'Andrea presented the KeySpan Ravenswood appeal of the BIC's decision to not table the Con Edison in-city capacity proposal at the August 9, 2006 BIC. Mr. Neil Butterklee (Con Edison) provided reasons for opposing this appeal. Mr. Butterklee noted concerns with the substance of the appeal, and believed KeySpan Ravenswood contradicted this appeal by putting forth a proposal of its own at this MC. Mr. D'Andrea responded by indicating that the motion for consideration later at the MC is consistent with what he tried to do at BIC.

Motion # 3:

In accordance with the Notice of Appeal submitted by KeySpan Ravenswood on August 23, 2006, the Management Committee hereby reverses the decision in motion 2A of the Business Issues Committee meeting on August 9, 2006.

Motion failed with 39.93% affirmative votes.

8. In-City Capacity Mitigation Proposals

Mr. Ancona asked that representatives for the Con Edison, KeySpan Ravenswood, and NRG proposals provide an initial overview, as well as a question and answer session, with equal time allocated to each proposal. After completion of this process, all of the presenters were called forward and asked to participate in an open discussion session.

Con Edison Proposal

Mr. Stuart Nachmias (Con Edison) presented. Mr. Nachmias reviewed his slide presentation, which gave background for the concerns raised, and explained the proposal. After completion of the proposal review, questions were raised by committee members. Mr. Howard Fromer (PSEG) asked if the updated proposal addresses the concerns voiced at BIC by suppliers and NYISO staff. Mr. Nachmias responded that the updated proposal does not address those concerns. Mr. Fromer asked specifically about the basis for the 3% inflation adjustment, and the base year for the proposed levels. Mr. Glenn Haake (IPPNY), Mr. Matt Picardi (Coral), and Mr. Mat Milhous (KeySpan Ravenswood) raised additional questions with the reference numbers used from the Levitan study. Mr. Nachmias responded that the proposal was designed to get the demand curve to work as it was intended, and while a variety of other alternatives could have been developed, this is the methodology that has been proposed. Mr. Haake raised consistency concerns with the Con Edison/PSC approach.

NRG Proposal

Mr. Foxen presented his proposal by reviewing the motion distributed to the MC. Mr. Fromer asked for clarification of the demand curve cost reference figures being used in the NRG proposal, as compared to the Con Edison/PSC proposal. Mr. Foxen noted that his cost reference value, $186.72, is directly out of existing tariff language. Mr. Nachmias noted that the opportunity to receive adequate compensation for new investment exists. Mr. Foxen agreed, but noted that those gains were offset by the new capacity from the SCS contract.

Mr. Ray Kinney (NYSEG) asked about the NYISO's view of the proposals. Mr. Rob Fernandez responded that the NYISO will provide its observations after the review of the three proposals is complete. Mr. Lynch added that the NYISO's observations will be preliminary, given that a lot of material for these proposals was only received recently.

KeySpan Ravenswood Proposal

Mr. D'Andrea presented the proposal in place of Dr. William H. Hieronymus. He cited the white paper that Dr. Hieronymus had written titled, *Analysis of the Joint Proposal for In-City Capacity Mitigation*. Dr. Hieronymus joined the presentation shortly after Mr. D'Andrea began to review the slides from KeySpan Ravenswood.

After completing the review of the slides, Dr. Hieronymus took questions on the KeySpan Ravenswood proposal. Mr. Nachmias raised concerns with the Ravenswood interpretation of the SCS contract, specifically Mr. D'Andrea's interpretation of capacity and energy payments. Mr. D'Andrea responded by noting that the contract calls for a guaranteed energy payment under peak and off peak conditions. In response to a request for clarification from Mr. Fromer, Mr. Nachmias added that both the characterization of the payments as capacity payments and the guaranteed energy payment numbers are wrong.

Mr. Rajendra Addeppalli (PSC) said that he recalled reading in Dr. Hieronymus' white paper or in ISO papers that there was knowledge of $105 bid-in price caps which was felt to be the cost of a new entry. That turned out to be wrong. He wanted to know how one could argue with the belief by investors that the $105 price cap would be sustained and that it is unfair to change it now? Dr. Hieronymus responded by saying that he did not know what the belief of investors was and that he did not know what they believed the cost of entry to be at that time. Mr. Addeppalli followed by noting that he thought there were filings at FERC saying that it was a temporary measure and the cost of new entry is lower and that when additional supply comes in, you will not need caps. Dr. Hieronymus said the point he was trying to make was that ConEd's view of the cost of entry did not coincide with the investors who he understood paid more than ConEd's book value for the assets but he added that he could not comment on their expectations. Mr. Addeppalli stated asked if investors assumed prices would drop going into the summer, due to an increase in capacity, isn't that why they wanted certainty and compromised some upside potential? He also noted that if nobody expects prices to go down, the people proposing the mitigation have an unrealistic expectation that prices will fall. Dr. Hieronymus declined to comment on hypothetical situations but made the point that everyone knew that the generators had the right to bid at the cap, and even with this type of entry it would not be in their best interest to do so.

Liam Baker (U.S. Power) said that he could address a hypothetical motivation for an in-city supplier to sell their UCAP at a price below the cap. He said they may do so in order to obtain adequate financing for a large acquisition rather than relying on revenues from strip and monthly auctions.

Mr. Addeppalli asked if it was fair to say that investors should not expect mitigation measures, from what is being proposed, like those that are in place in bordering markets like PJM and New England. Dr. Hieronymus said that he can not put himself into the mind of an investor but he would not build anything based on what he sees today. He indicated he does not have confidence in the current project schedules.

Mr. Ray Kinney (NYSEG) said that the market is supposed to support entry and not put up fixes around the edge of the market and Mr. Addeppalli stated that there is a need for long term market solutions. Mr. Bart Franey (National Grid) discussed expectations of prices going down when being long in the market and the rational behind having prices high to support new entry and encouraging investment in an already long market. Dr. Hieronymus said that if nothing changed the market would not support entry. He said the problem with an administrative mechanism that reduces prices is that it ratifies overbuilding which in turn produces a drop in price.

Mr. Chris O’Hare (NRG) asked if there actually has been a price decrease due to new entry that is not visible due to the demand curve because the price has already been mitigated to DGO’s from an economic standpoint. Dr. Hieronymus said that it was an interesting point but that you really need new entry even with a DGO price/bid-cap. Mr. O’Hare asked if monopsony was really the concern or that certain load serving entities can recover the cost through their bidding strategies. Dr. Hieronymus said that the out of market strategy is what creates the surplus.

All of the presenters were brought up to answer questions.

Mr. O’Hare asked about hedging. Stating a concern about proposals changing market rules, saying they raised concern about market power. Dr. Hieronymus said that if anyone has enough political power to effect change in the market, then it’s a problem.

Mr. Addeppalli asked for an expert opinion on whether spot markets were the answer to attracting new entry. Dr. Hieronymus said that he no longer believed they could do this alone. Mr. Foxen stated that he believed that if existing participants had market power in the current spot market, it would be not be so in a forward capacity market since they would be competing against the new entrant.

Dr. Mayer Sasson (ConEd) asked Dr. Hieronymus if he believed that a market exists where the bidder knows the outcome and forces the customers to pay more. Dr. Hieronymus responded that it has always been known that it is not a fully competitive market and that is why there is mitigation. He said it is not a market where you can look at the prices to know what is going to happen and making the price a true characteristic of the market. The price is fixed by mitigation and it is just a matter of who should be subject to mitigation. Dr. Mayer followed up by saying that the basis of their issue was the demand curve and that you need to include that into the discussion since that allows for a bidder to maximize revenues and predict. Dr. Hieronymus said that the ability to optimize is no different under the demand curve than it was before. From the effect on buyers of the demand curve – talking for the NYC market – the quantity if less than 300 megawatts. He said neither of those facts is changed by an existing joint proposal.

Mr. Mark Younger (Slater Consulting) stated that the thing that has changed with the demand curve and with mitigation proposals is that they can know exactly what will happen in the market by them flooding the market. Dr. Hieronymus said building excess capacity could be done in 1998 and today.

Mr. Rana Mukerji and Mr. Scott Maves (NYISO) followed up by reiterating that the proposals are still being evaluated and no substantive comments were possible. He provided some high level technical observations on each of the proposals and said that much of what had been reviewed in the meeting were issues that were already being dealt with in the ICAP Working Group.

Mr. Fromer asked about the demand curve being the original solution and Mr. Haake asked what savings the loads had received, if DGO's are being considered, what difference the people would have paid for assets in a tight year like this year. Mr. Maves said that in order to answer, the NYISO would need to spend more time reviewing the proposals. Mr. Nachmias had a follow-up question regarding new entrant costs and demand curve keeps shifting in upward direction and asked if this would be taken into account. Mr. Maves said that was correct.

Mr. Kinney said that he thought it was irrational to expect people to enter the market unless the price was at or above the cost of entry. Mr. Maves agreed.

Mr. Butterklee commented that the demand curve is not behaving as expected. Mr. Haake noted that the proposal appears to be a short term solution.

Mr. Addepalli commented that the assumption was that new entry would result in prices being lower. He added that market rules changed for the positive and the negative with suppliers over the years, and raised questions about why a standard for not making changes would apply to this proposal. He added that investors would not tolerate price signals based upon market power. He concluded by noting that capacity rules should be better harmonized with the markets.

Mr. Franey asked if Keyspan Ravenswood could provide a reference document of the SCS costs that were presented. Mr. D'Andrea had a hard copy available, and asked that coordination of requests for additional copies be facilitated by Mr. Frank Francis of the NYISO.
Mr. D'Andrea commented on potential profit motives for the proposal for Con Edison and its affiliates. Mr. Butterklee took issue with these comments, and asked that Mr.

D'Andrea make public swap agreement documents from Keyspan Ravenswood. Mr. D'Andrea responded by noting that those documents were publicly available.

Mr. Bob Boyle (Energy Curtailment Specialists) asked that the following statement be included in the minutes:

> *ECS submits that the currently proposed market rule changes are in direct opposition to the notion of increased reliability; indeed, they will most certainly result in a massive loss of curtailable load due to Special Case Resources abandoning the program. The ICAP Working Group needs to conduct a full and complete analysis regarding the In-City Capacity market issue to fully determine if the proposed corrective measures will actually result in reduced prices for New York City. In conjunction, a change in market design needs to ensure that current reliability of New York State's Bulk Power System continues to be maintained, while sending the appropriate market signals for further expansion of electric resources, including demand response, to meet the State's future projected needs.*

Mr. Mike Delaney (City of NY) spoke about the presentation from NYC representatives that was discussed at the recent IPPNY conference and posted as meeting materials for the MC at the request of Mr. D'Andrea. Mr. Delaney asserted that Keyspan Ravenswood mischaracterized the presentation earlier in the meeting. He added that the presentation was distributed to the MC on behalf of Keyspan Ravenswood without any of the explanation that accompanied it as it was presented. Mr. Delaney noted that it was always indicated in the initial task force report, and in the NYC presentation, that the additional 1000 mw of capacity had nothing to do with reliability, but rather, it was an effort to have a price moderating effect. He added that that Mr. Fromer mentioned the presentation earlier in reference to the IPPNY conference, and indicated that the additional capacity had nothing to do with the reliability, much like the mischaracterization of the retirements that were contemplated in 2004, which haven't happened and are expected.

Mr. Nachmias added that the proposal was intended to get the demand curve to work as intended. It was not intended to lower price, but rather to reflect a more appropriate prices.

Mr. Mager added that Muliple Intervenors is a strong supporter of markets, but their confidence is shaken as a result of these issues.

A discussion ensued regarding the votes. The Con Edison proposal was moved and seconded. A secret ballot was requested, but objections were raised with this proposal. As outlined in the bylaws, a roll call vote was taken to determine if secret ballots should be employed.

Motion #5:
Motion to hold the vote for motion #4 via secret ballot.
Motion failed with 45.43% affirmative votes.

Upon completion of the vote on the motion to vote by secret ballot, Mr. Fromer made an unfriendly amendment to the Con Edison proposal to use 2007 demand curve offset levels. The motion was seconded and considered by the MC in a roll call vote.

Motion to amend motion #4 to use 2007 reference numbers in place of 2005 numbers as noted in the presentation.
Motion failed with 40.61% affirmative votes.

Mr. Kinney requested that the committees consider an immediate investigation in to revised market structures to address the issues raised. He added that these efforts should consider the market structures in place in the neighboring ISOs.

The proposal from Con Edison was then considered by the Committee.

Motion #4:

The Management Committee ("MC") hereby approves the capacity market monitoring and mitigation measures presented at its September 29, 2006 meeting. The MC hereby recommends that, at its next meeting, the NYISO Board adopt the capacity market monitoring and mitigation measures approved today and file them with FERC pursuant to Section 205 of the Federal Power Act.
The capacity market monitoring and mitigation measures establish a conduct and impact test that compares the capacity bid of certain In-City generators, in the demand curve spot auction, with that of its reference bid to determine if the bid of such generator is inconsistent with competitive market design. The proposal provides criteria to be used to develop reference bids for the DGO generators as specified in Section 4.5 of Attachment H of the Market Services Tariff.
Motion passed with 69.54% affirmative votes.

Keyspan Ravenswood Proposal
The Committee then discussed the proposal from Keyspan Ravenswood. Mr. D'Andrea asserted that the motion was not in conflict with the Con Edison proposal that was approved. Mr. Fromer indicated that his company was not comfortable with signing on to this proposal without some analysis of the proposal completed. Ms. Saia also indicated concerns with aspects of the motion. After further discussion, Mr. D'Andrea accepted a friendly amendment to remove language related to the demand curve slope that Mr. Fromer and Ms. Saia were concerned with. The motion was then considered by the MC.

Motion #6

In support of the Motion, the *Analysis of the Joint Proposal for In-City Capacity Mitigation*, prepared by William H. Hieronymus, was presented to the Management Committee. As detailed in that analysis:

1) the purpose of the demand curve is to establish a single price for capacity that will be adequate to provide support for the maintenance of existing capacity and investment in needed entry;
2) as currently formulated the demand curve will not achieve these objectives, since revenue support for new entry will be adequate only under

a narrow and likely uneconomical set of conditions;
3) during periods of market tightness there will not be one, but multiple prices, since DGO payments will be below the competitive market price;
4) the DGO offering behavior at issue facilitates rather than subverts the intended purposes of the demand curve, because without it revenue inadequacy would be greater; and,
5) the existing capacity market gives large in-City LSEs and others with an interest in reducing prices a strong incentive to buy capacity at above-market prices outside of the NYISO markets in order to drive down prices in the market where all of the DGO capacity is forced to transact; and
6) The RTOs bordering New York are establishing forward markets for capacity. New York needs to craft a forward capacity market. Such a market needs to be sufficiently forward to allow new entry of the types of resources needed for meeting reliability economically, and that the long-term market be backed by shorter term balancing markets, particularly in view of the existence of retail access and demand response in New York.

Motion:

The Management Committee ("MC") reviewed and considered capacity market issues presented and discussed at its September 29, 2006 meeting, as well as at Business Issues Committee meetings and ICAP Working Group Meetings. Two of the issues raised by Market Participants are the lack of long-term forward markets administered by the NYISO and the slope of the demand curve. The MC hereby recommends that the following resolution be adopted to revise the NYISO Capacity market in both the short-term and long-term. Corresponding tariff language will be developed by the ICAP Working Group, reviewed by the Committee Chairs and Vice Chairs, and then submitted to the Federal Energy Regulatory Commission for approval.

SHORT TERM MEASURES

Lengthen the Demand Curve

The slope of the in-City demand curve will be reduced by moving the zero price point from 118 percent of minimum reliability requirements to improve market performance.

Maintain the Concept of DGO Bid Caps

In conjunction with extending the length of the demand curve, negotiated adjustments of the DGO bid caps will be considered.

Retain Must Offer DGO Requirements

No change is proposed. DGO capacity must be offered to the market.

Impose a Floor on Bids for Certain Resources

Any new capacity built or acquired via out-of-market bilateral transactions by such parties will have a minimum bid equal to a percentage of the cost of new entry ("CONE"). This requirement would apply only to capacity acquired after the inception of the demand curve – *i.e.,* March, 2003.

Remove Other DGO Restrictions

The DGO price cap will be eliminated.

The ban on bilateral sales of DGO capacity will also be eliminated. It is acknowledged that there may be a valid concern about sham transactions that undermine the DGO bid cap. To moot such concerns, all divested generation must be bid into the capacity market at or below capped bids by any party acquiring the right to bid such capacity via bilateral transactions.

The proposed floor is related only to bids; the price paid to such capacity would be determined by the NYISO auctions and would not be discriminatory.

LONGER TERM REVISIONS TO NEW YORK CAPACITY MARKETS

The ICAP Working Group will prepare a fully articulated capacity market design over the next 12 months and implement such a market within 18 months.

Motion failed with 37.63% affirmative votes.

Mr. D'Andrea asked NYISO legal staff if the failure of this motion prevented his company from bringing the issues outlined in the proposal to the ICAP Working Group for further discussion. NYISO staff responded that the failure of approval did not prevent him from making such a request.

NRG Proposal

Mr. Foxen reviewed aspects of his proposal. After brief discussion, the vote was called.

Motion #7:

The Management Committee ("MC") reviewed and considered capacity market issues presented and discussed at its September 29, 2006 meeting, as well as at Business Issues Committee meetings and ICAP Working Group Meetings. Key issues raised by Market Participants are the need for balanced market power mitigation measures to address both the supply and demand side of the market and the lack of a long-term forward capacity market administered by the NYISO. The MC hereby recommends that the following resolution be adopted to make certain changes the NYISO Capacity market rules and design. Corresponding tariff language will be developed by the ICAP Working Group, reviewed by the Committee Chairs and Vice Chairs, and then submitted to the NYISO Board for subsequent filing with the Federal Energy Regulatory Commission. Recommendations shall address:

Underlying Principles

- Pricing and bidding rules that prevent the distortion of prices either above or below the competitive level, including distortion due to the exercise of market power by both buyers and sellers.
- Development of a market structure that induces the right amount of competitive entry while providing reliable long run price signals that, over time, reflect the cost of competitive new resources and that attracts and supports competitive generation needed for reliability.

Implementation

Interim Measures to Address Market Power Concerns to be put in place by May 1, 2007

- Mitigation. Conduct and impact tests (C&I) will apply to all spot market offers by in-city ICAP providers.
  - Conduct. Any offer that is 5% more than its reference level is potentially subject to mitigation, if it also fails the impact test.
  - Impact. Any offer that fails the conduct test and that causes prices to be 5% more or less than the price that would have resulted had the reference level been submitted will be

mitigated to its reference price.

- Reference levels for DGO offers will be developed as follows:
  - – 80 percent of the 2007 CONE, less FERC-approved energy and ancillary service (E&AS) offsets ((i.e. $ 186.72 x 80% -$ 50.92 = $98.46/kw-year net on ICAP basis)[1]
  - - To be converted to UCAP basis
  - - To be shaped to reflect summer/winter differentials
  - - Existing DGO offer caps eliminated upon implementation of these new reference prices
- Remove other DGO restrictions:
  - - The DGO price cap will be eliminated
  - - The ban on bilateral sales of DGO capacity will be eliminated.
- Reference levels for newly constructed capacity that is self-certified by and/or under contract with LSEs shall bid at the following percentages of CONE less E&AS offsets:

[1] Based on Attachment IV to FERC Order dated Jan 7, 2005 and 4/21/05 update

  - - Until the end of the second capacity season following the initial commercial operation date of such a resource, its reference level shall be 100% of the then current CONE, net of the then current FERC-approved Energy and Ancillary Service ("EAS) Offset (together, "Net CONE").
  - - For the third and fourth capacity season, such a facility's reference level shall be 80% of Net CONE
  - - For the fifth and sixth capacity season, the facility's reference level shall be 75% of the Net CONE.
  - - In the seventh and all subsequent capacity seasons, the facility's reference level shall be the same as that of DGO units
- Existing LSE self-certified (bilaterally contracted or self-owned unit) bid or mitigated to its reference price will clear in the spot capacity market and will count towards meeting the LSE's capacity obligation. Existing generation will clear after the bilaterally contracted or self owned generation, according to its bid level. If all existing generation does not clear, the total payment to existing generation shall be prorated among all existing generation that bids in the spot capacity market.

Longer Term Measures to be put in place by May 1, 2008

- A long term forward procurement auction that allows new entry to compete with existing resources for delivery periods three or more years in the future, with multi-year commitment periods.
- The ICAP Working Group shall look to recently approved longer term capacity market designs in other ISOs for useful applications to NYISO
- The requirements of the Demand Curve Reset Process shall be integrated with these long term changes. In particular, adjustments to the demand curve slope and self-certified LSE capacity reference price levels should be anticipated.

Motion failed with 34.94% affirmative votes.

5. Proposal to Increase the 500 MW Exemptions for Intermittent Resources and Exempt under-Generation Penalties for Generators in Testing Periods.
Ms. Mollie Lampi (NYISO) presented and explained the proposal.

Motion #8:
The Management Committee (MC) hereby approves revisions to the NYISO's Market Services Tariff, as discussed at the Market Structures Working Group meeting on September 6, 2006, and as recommended for approval by the Business Issues Committee (BIC) on September 13, 2006, which would exempt any generator during a prescribed Testing Period from undergeneration penalties, and would increase by 500 MW the capacity of Intermittent Power Resources entitled to special market settlement rules and exemptions from persistent under-generation penalties and Operating Reserves bidding obligations.
Motion passed unanimously by show of hands with abstentions.

6. Proposal to Shorten the NYISO Settlement Cycle
Ray Kinney (NYSEG) introduced the proposal and Randy Bowers (NYISO) presented details regarding the nine-month and twenty-five day time period for the Shortened Settlement Cycle, explaining that MPs wanted finality in their settlement data.

Mike Mager (Multiple Intervenors) stated that Multiple Intervenors would support the proposal, but he wanted the minutes to reflect that they also want accuracy.

Mr. Wes Yeomans (National Grid) submitted the following statement for the minutes:

> *"National Grid wants Market Participants to understand that National Grid will not settle any wholesale bill problems for meter, data process, or calculation problems unless ordered by a court, PSC, or FERC.*
>
> *The ISO has assigned tremendous resources to this project. Currently ISO Attachment N bill errors have resulted in National Grid issuing 1.5 million incorrect delivery bills for the past 34 months and the ISO, on behalf of the Transmission owners, has posted incorrect wholesale TSC rates as a result of the Attachment N errors. In addition, NTAC has been incorrect. National Grid is disappointed that executives at the NYISO allocated large volumes of resources on this project rather than allocating these resources on the Attachment N problems."*

Mr. Yeomans also asked a question about an email sent recently and how would this process improve. Mr. Bowers said that this issue was an inadvertent error and would be corrected in the new system.

Mr. Nachmias asked for comment on fixes this would address. Rich Dewey (NYISO) said recognizing the urgency and addressing the concerns of the MPs, all resources were placed onto the web-based reconciliation (web-rec). They have held a technical conference and will be having another conference call where they will be discussing the echo back function and will start the design. Controls and design are of the utmost importance, he said.

Mr. Nachmias said the motion will result in tariff changes that will result in changes in the billing process. He stated that there was a timing mismatch if web reconciliation was not in place.

Mr. Ken Lotterhos (LIPA) expressed his concerns about shortening the period but not having the tools to have the capability to accomplish this task. Mr. Dewey said that they could accomplish the requirements by other means.

Mr. Nachmias proposed a friendly amendment to the proposal. Doreen Saia made an amendment referencing the protocol presentation document that was included in meeting materials today.

Motion #9:

Whereas, the NYISO and its Market Participants have placed a high priority on improving the accuracy and finality of NYISO-issued customer invoices, and

Whereas, the NYISO's current settlement cycle spans approximately 19 months, during which time corrections to NYISO-issued customer invoices may be made, and

Whereas, the NYISO and Market Participants seek to balance the benefits of financial certainty with adequate assurances regarding the accuracy of NYISO-issued customer invoices, and

Whereas, the NYISO and Market Participants have committed not to implement changes to the market settlement rules without associated billing system upgrades, and

Whereas, the NYISO and Market Participants will develop and implement a comprehensive plan to upgrade the Web Based Reconciliation tool to incorporate the changes necessary to implement the loading/echo functions previously committed to in 2003, and

Whereas, the Business Issues Committee, its working groups, and NYISO staff have proposed protocols and procedures which were included in the September 29, 2006 MC meeting materials and that will allow the NYISO to shorten its financial settlement cycle to approximately 9 months and 25 days with adequate assurances regarding the accuracy of NYISO-issued customer invoices, and

Whereas, the Business Issues Committee passed a motion at its September 13, 2006, meeting which recommends that the MC endorse these protocols and procedures and approve the development of a tariff filing to support these changes;

Now, therefore, the Management Committee approves the development of tariff revisions to shorten the NYISO financial settlement cycle in accordance with the protocols, procedures, and implementation requirements described in this motion and the supporting materials.

- The tariff language shall be subject to review by the BAWG and BPCTF and approved for filing by the chairpersons and vice-chairpersons of the MC, BIC, and OC.
- The tariff filing shall specify that corrections to customer settlement

information, including corrections to metering data, shall only be made within the relevant timeframes established in the tariffs, as they are hereby proposed to be revised, in accordance with a "true-up" methodology unless the NYISO is directed to do otherwise by FERC or a court of competent jurisdiction.

- The tariff filing shall be prepared for filing as quickly as practicable, but not later than October 31, 2006.

Motion passed by majority show of hands with abstentions.

4. NYISO Strategic Plan Update

Mr. Rana Mukerji presented the plan stating that the goal was to make reliability and markets complimentary to each other, institutionalize excellence in execution, foster transparency in the market place and be a leader in reliability. He asked the committee to review initiatives and send comments or suggestions to the NYISO.

Mr. Lotterhos asked whether the Six Sigma initiative is working at the NYISO.

Mr. Mukerji stated that some of the projects have already been put into place and were presented at the June sector meetings. He said they were working on metrics and will be reporting on many new projects in the near future.

Mr. Tariq Niazi (New York State Consumer Protection Board) asked specifically what the plans were for planning. Mr. Lynch stated that the NYISO was addressing the length of time it took to get through the first RNA CRP since it was a significant process. He said they are looking at all resources to identify if there is a need to increase personnel or if consultants are needed.

Mr. Mukerji stated that comments were appreciated by next Friday. He said a final draft will be presented at the October Board meeting.
Mr. Addeppalli asked if the NYISO had something in mind to make the case on competitive markets so the public would understand.
Mr. Mukerji said that the NYISO has sponsored a study on the specific benefits of the NY Markets. Mr. Lynch said they have been fighting it for a while and will continue to make the case with factual metrics that are quantifiable and not left for interpretation.

9. New Business

None raised

10. Adjournment

The meeting adjourned at 4:05pm