

THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.
FINAL MINUTES OF BOARD OF DIRECTOR'S MEETING
REGULAR SESSION – NOVEMBER 18, 2014

The Board of Directors of the New York Independent System Operator (NYISO) met at Hunton & Williams in NYC on November 18, 2014. Chairman Bemis chaired the meeting, and all Board members were present (Mr. Kailbourne participated via teleconference). Ms. Egan, Ms. Kelly, and Messrs. Dewey, Fernandez, Gonzales, Jones, Mukerji, Rumsey and Yeomans were also present. Mr. Bill Heinrich of the Public Service Commission was also in attendance.

I. Approval of Board Meeting Minutes

Upon motion duly made and seconded, the Board approved the September 16, 2014 Board meeting minutes, and deferred approval of the October 21, 2014 Board meeting minutes until the next meeting.

II. Consent Agenda

There were no items on the Consent Agenda for approval this month.

III. Report of the Board Chair

The Board Chair had no items to discuss during the Regular Session.

IV. Committee Reports

A. Reliability & Markets

The Reliability & Markets Committee met on November 17, 2014 and discussed the following:

- 1) Integrated View of Scarcity-Shortage Pricing, Fuel Assurance & Capacity Market Enhancements.
- 2) Briefing on the November 5, 2014 Joint FERC/NYPSC Technical Conference on NY Markets & Infrastructure.
- 3) Briefing on the November 6th PSC Reforming the Energy Vision Technical Conference.
- 4) 2014-15 Winter Capacity Assessment.
- 5) Broader Regional Markets Update.
- 6) Strategic Plan Rollout.
- 7) Power Trends Outline.
- 8) Transco Update.
- 9) Operations Performance Metrics Monthly Report.

B. Audit & Compliance

The Audit & Compliance Committee met on November 17, 2014 and discussed/approved the following:

- 1) Mr. Basil Woller of the Institute of Internal Auditors Quality Services, LLC reported (via teleconference) on the Internal Quality Assessment audit conducted at the NYISO during the week of October 20, 2014. It is the opinion of the Internal Auditors Quality Services that Internal Audit generally conforms to the Standards (which is the highest rating), the IIA Code of Ethics, and the Definition of Internal Auditing.. A few opportunities for improvement were identified that will strengthen conformance to the Standards or enhance efficiency and effectiveness of Internal Audit processes.
- 2) 2014 SOC 1/SSAE 16 Update – KPMG provided a SOC 1/SSAE 16 summary. KPMG reported that they examined the NYISO's description of its Bid-to-Bill System for bidding, accounting, billing and settlements of energy, regulation, capacity, transmission, reserves and related market services for processing user entities' transactions, and will issue their report on November 18, 2014. KPMG's examination included procedures to determine, based on criteria described in the NYISO management assertion included in the report that: (1) The description fairly presents the Bid-to-Bill System that was designed and implemented throughout the period October 1, 2013 to September 30, 2014; (2) The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively, and user entities applied the complementary user entity controls contemplated in the design of the NYISO's controls throughout the period October 1, 2013 to September 30, 2014; and (3) The controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description in Section Three were achieved, operated effectively throughout the period October 1, 2013 to September 30, 2014.

The Audit & Compliance Committee extensively reviewed the NYISO's SOC 1/SSAE 16 Report, and the auditors' unqualified opinion, and made a motion for Board acceptance of the 2014 SOC 1/SSAE 16 Audit Report conducted by KPMG and authorizing NYISO management to release the Audit Report to the market participants. The Board approved the motion.

- 3) Met in Executive Session with KPMG.
- 4) Audit & Compliance Committee meeting minutes of October 20, 2014 – Approved.
- 5) Cyber Security Update, including NYISO Security Metrics.

C. Commerce & Compensation

The Commerce & Compensation Committee met on October 20, 2014 and discussed/approved the following:

- 1) Tariff Change – Attachment K of MST to include a Projected True-Up Exposure Credit Requirement – Motion for Board approval to authorize NYISO management to file the tariff revisions to Attachment K of the Market Administration and Control Area Services Tariff regarding the Projected True-Up Exposure Credit Requirements, as described, with the FERC, pursuant to Section 205 of the Federal Power Act, was approved by the Board.
- 2) NYISO 2015 Budget – Motion for Board approval of the NYISO 2015 Budget in the amount of \$160.9 million and Rate Schedule 1 charge of \$0.971/MWh, was approved by the Board.
- 3) 2015 Annual Incentive Goals – Motion for Board approval of the 2015 Annual Incentive Goals was approved by the Board.
- 4) 2015 Business Plan – Motion for Board approval of the 2015 Business Plan, including the new Endpoint Security Enhancements Project, was approved by the Board.
- 5) Value Proposition & Scorecard – Update – NYISO management will revise the draft Value Proposition & Scorecard based on feedback provided by the Commerce & Compensation Committee and bring it back at a later date.
- 6) Customer Feedback Process – Status Update.
- 7) Budget Facility – 2014-17 – Update.

D. Governance

The Governance Committee met on November 17, 2014 and had discussions regarding Board Governance best practices.

V. Report of the President & CEO

Mr. Whitley briefed the Board on items outlined in his President's Report included in the Board package.

VI. Chief Operating Officer Report

Mr. Gonzales briefed the Board on items outlined in the Operations Performance Metrics Monthly Report and COO Report included in the Board package.

VII. Other Business

There were no other topics for discussion.

VIII. Next Meeting

The next meeting of the Board is being held on December 15, 2014 in Buffalo, NY.

Respectfully submitted,

A handwritten signature in cursive script, reading "Diane L. Egan". The signature is written in dark ink and is positioned above the printed name.

Diane L. Egan
Corp. Secretary & Secretary to the Board