

DRAFT**NYISO Management Committee Meeting Minutes****June 26, 2018****10:00 a.m. – 1:00 p.m.****1. Introductions, Meeting Objectives, and Chairman's Report**

The chair of the Management Committee (MC), Ms. Erin Hogan (NYS Utility Intervention Unit), called the meeting to order at 10:00 a.m. by welcoming the members of the MC. A quorum was determined.

2. Historic Fixed Price TCC Extensions

Mr. Greg Williams (NYISO) provided an overview (presentation included with meeting material).

Mr. Howard Fromer (PSEG) asked if once an eligible LSE acquires these TCCs in a given year, is there a limitation on reselling them in the monthly reconfiguration auctions? Mr. Williams clarified that Historic Fixed Price TCCs are treated in the same manner as other TCCs, so there is no explicit prohibition against offering them for sale.

Mr. Tom Rudebusch (NYAPP) provided the following comments for the record.

The New York Association of Public Power commends the ISO for recognizing that it has a continuing obligation under the Federal Power Act – specifically Section 217(b)(4) – and FERC Order No. 681 to enable load-serving entities to secure firm transmission rights on a long-term basis for long-term power supply arrangements. There was extensive litigation in 2007-08 involving NYAPP, the ISO and others about what exactly that obligation is, and the end result was the Historic Fixed Price TCCs. NYAPP has supported and will continue to support the Historic Fixed-Price TCC extension product that is being voted on today as a reasonable compromise at the current time. The timely implementation of the extension product is vitally important to certain LSEs. Thank you to the ISO staff who have worked on this project.

Motion:

The Management Committee ("MC") hereby: (i) approves revisions to the Open Access Transmission Tariff and the Market Administration and Control Area Services Tariff, as more fully described in the presentation entitled "Historic Fixed Price TCC Extensions" made to the MC on June 26, 2018; and (ii) recommends that the NYISO Board of Directors authorize the NYISO staff to file such revisions under Section 205 of the Federal Power Act.

The motion passed by show of hands with opposition.

3. AC Transmission Public Policy Transmission Planning Report/NYISO Presentation/MMU Review

Mr. Dawei Fan (NYISO) provided an overview (presentation included with meeting material)

Mr. Howard Fromer (PSEG) noted that most of the analysis is based on the consultant's estimate of cost and he asked what the process would be in the event the costs were much different than projected. Mr. Carl Patka replied that any cost overrun or cost recovery issues would be submitted to and decided by FERC, and the NYISO tariff does not provide for a reevaluation or reselection process.

Mr. Pallas LeeVanSchaick provided the MMU report on the impact of the projects on the NYISO markets, as required by the NYISO tariff.

Mr. Brian Duncan (NextEra) reviewed the NextEra presentation (included with meeting material). He thanked NYISO and the consultants for the time and effort and analysis that has gone into this process, and highlighted a couple points NextEra thinks should be considered.

- Mr. Duncan stated that he thinks NextEra's project costs are overstated and that the synergy savings from common developers on both segments are overestimated.
- Given the cost impact to NY customers and that three projects provide effectively the same benefits, the NYISO should use the cost-contained prices as a tie-breaker.
- NYISO is recommending a \$1 Billion investment based on SECO's estimate despite a virtual tie on project benefits.
- NYISO's tariff requires it to analyze cost-contained prices in the AC proceeding, and doing so will ensure NYISO selects the more cost-effective solution.
- SECO's estimates should not be used as the decisive factor among proposals whose benefits are effectively a tie.
- Tower structure heights should not be a distinguishing factor in the NYISO evaluation.

The full details are included in the presentation and written comments submitted and posted.

Mr. Kevin Lang (MI) stated cost containment is an exceedingly important issue that stakeholders and the NYISO have been collaborating on that issue for a while. He stated that the one struggle MI continues to have is that all of the analysis presented has been based on SECOs cost estimates. There is a concern that a developer's cost estimate may significantly deviate from SECO's, and the cost containment provisions being proposed should be factored in.

Mr. Breidenbaugh and Mr. Mager echoed Mr. Lang's comments. Mr. Mager stated that MI will be abstaining on the vote, adding the he is not comfortable with characterizing cost containment as a criterion that only could be used as a tie breaker. Obviously the costs are a significant consideration and when there are competing bids where one developer may be willing to take on substantial cost risks on overruns and other developers may not be. To MI, that is a huge difference between competing bids, and often is more relevant from the consumer perspective. Mr. Mager stated that MI remains dissatisfied with the process to the extent cost containment is not being addressed yet, and while it is understood and appreciated that the NYISO is working on this and coming forward with a proposal, he strongly anticipates that they will oppose a future public policy proposal that fails to rigorously include cost containment as an evaluation metric.

Mr. Carl Patka (NYISO) stated that he appreciates the comments on cost containment. While developing NYISO's Public Policy Transmission Planning Process under FERC Order 1000, the NYISO and stakeholders agreed upon a proposal based process that takes into consideration of many factors including cost. The NYISO tariff calls for the NYISO staff to engage in an independent consultant to review the reasonableness and comprehensiveness developer cost information, and provides that the NYISO may rely upon the independent consultant's analysis when evaluating and selecting projects. The tariff does allow considering developer cost estimates and the potential for project delay, which could further affect the overall project cost. Our independent consultant SECO has provided cost estimates to serve as the basis for the NYIOS' selection based on cost. We have also indicated that in the event that the NYISO encounters two otherwise equally weighted projects that could be considered a tie – we may consider cost containment measures as a tie breaker. In this case, the NYISO staff does not agree with NextEra that their project ties the competing projects because other projects are ranked higher based on other cost criteria. Mr. Patka provided details on the PSC's 2015 Order.

Ms. Margaret Janzen (National Grid) provided the following comments for the record.

National Grid has submitted written comments to NYISO, reflecting detailed feedback on this evaluation process. In summary, National Grid appreciates the amount of work done on this

complicated evaluation, but we observe that this evaluation process was not transparent, and that proposals were treated differently, and consistency was not enforced on project scopes with their corresponding interconnection requests, and the resulting selections may require significant non-bulk system upgrades, the costs of which will not be known until too late to evaluate overall cost-effectiveness. National Grid looks forward to improving this process with stakeholders and NYISO, with stakeholder input meaningfully considered.

Ms. Dana Lazarus (Con Edison) provided the following comments for the record.

Though Con Edison and Orange & Rockland (O&R) are supportive of new transmission buildup in NY and we support the policies behind Order 1000 and the NYISO public policy transmission planning process. We think the AC transmission public policy transmission need is an important transmission project for NYS, however, we do not feel confident that the recommended selection for Segment B is in the customer's best interest, due to a lack of transparency in the selection and deficiencies in the evaluation process. We are concerned that as part of its evaluation for Segment B of the AC transmission project, NYISO has not considered the full cost associated with the proposed Milltown upgrades which are local upgrades on the O&R system and are unique to the selected NAT /NYPA segment B proposal. O&R has submitted a document detailing its concerns. While the Milltown upgrades may not be the major driver for the Segment B selection, NYISO does view these upgrades as a distinguishing factor and benefit for the selected proposal, therefore their feasibility and cost is relevant as a selection decision, however, neither NYISO nor the consultant SECO has fully vetted these issues. SECO's analysis is inadequate because as SECO notes in their report there was no engineering and did not have access to record drawing. Also SECO relied on Google Earth to support the project site which is not sufficient to establish feasibility. NYISO said that these concerns could be addressed in the interconnection process, however that would be too late for the information to be considered in the selection decision. The Milltown upgrades could cost as much as 20% of the segment B project cost without adequate review cannot be determined whether or not the select b is more efficient or cost effective for the AC transmission process. For that reason, we believe the process is flawed. In addition to these project evaluation deficiencies, Con Edison and O&R are concerned with the lack of transparency in the selection process. Due to these concerns, sufficient cost due to these concerns, con Edison and O&R are voting to oppose approval of the report of the Board of Directors.

Mr. John Borchert (Central Hudson) provided the following comments for the record.

Central Hudson will abstain for this vote. While Central Hudson fully approves advancing this public policy transmission process and the AC Transmission Projects and we are looking forward to the benefits that this added transmission will have for the customers in Central Hudson's service territory and customer across the state, we are dissatisfied with the NYISO's work in the project evaluation. The lack of transparency, the way that aspects of the project were treated during the evaluation - effectively disqualifying projects, and the way that local TO upgrades were handled during the process have led to frustration and confusion for both those developing projects and for the interconnecting transmission owners. Although today's advisory vote may result in approval of the report, Central Hudson remains steadfast in its call for the NYISO to address these process flaws going forward.

Mr. Aaron Breidenbaugh (Consumer Power Advocates) provided the following comments for the record.

CPA is not in a position to second guess the analysis that has led to the proposed project selection. We could wish that more emphasis could be placed on cost containment provisions, but this must await changes to the process now in place. We look forward to considering those changes. What CPA does support is moving this decade old process forward. As such, we will be voting in favor of the motion so that the effort to bring much needed power into southeast New York may proceed.

Mr. Mike Mager (Multiple Intervenors) stated that MI agrees on the cost containment improvement suggested; he wanted to know if the NYISO has any preliminary response of feedback to the MMU's other recommended improvements. Mr. Zach Smith (NYISO) stated that the NYISO thinks all the recommendations are good ones to consider and we will be thinking about how to address them going forward.

Mr. Kevin Lang (CNY) stated that the City is strongly in support of the AC Transmission Planning project moving forward. Mr. Lang stated that we appreciated everything the NYISO has done to advance this process and we are not in a position to decide whether it was an appropriate decision for the NYISO to select North America Transmission/NYPA over the competitors. At the same time, we sat through the governance meetings and while there have been some concerns raised, the City hasn't heard anyone say this is a flawed process or deeply erroneous process. The City wanted to make sure this was a fair process, and this has been a concern to them from the beginning. While there are some issues, overall we consider this to be a fair process. We look forward to this proceeding going forward and that the project is constructed in a timely fashion, and have already made comments on cost containment. Note that the city will be supporting the report today, but it should not be interpreted as supporting the recommended developer and their projects. Mr. Lang encouraged the Board to make a decision on the report and selection of projects expeditiously.

Mr. Glenn Haake (NYPA) stated that he had the benefit of being in both the Western NY PPTPP and the AC Transmission PPTPP, and the differences between the two processes are noteworthy. The NYISO clearly brought back a lot of lessons learned from Western NY process, such as holding meeting with the developers early in the evaluation and selection process, holding various meetings with stakeholders, and allotting sufficient time for comments between initial announcement of evaluation and the recommended selection. He added that any process can be improved, but he thinks NYISO has done a very good job, a lot of hard work has been put into this and he thanked the NYISO.

Mr. Zach Smith (NYISO) closed by expressing his gratitude to the stakeholders and developers who have worked on this with the NYISO, noting that this could not have been done without the support and feedback from all throughout the process.

Motion:

WHEREAS, the Electric System Planning Working Group ("ESPWG") and Transmission Planning Advisory Subcommittee ("TPAS") have held a series of meetings with NYISO Staff to discuss and review the studies and analyses underlying the NYISO's findings regarding the AC Transmission Public Policy Transmission Needs and a draft AC Transmission Public Policy Transmission Planning Report; and

WHEREAS, NYISO Staff has incorporated modifications to the draft AC Transmission Public Policy Transmission Planning Report based on comments received at six joint ESPWG-TPAS meetings from April 5, 2018 through June 14, 2018;

WHEREAS, the NYISO presented the draft AC Transmission Public Policy Transmission Planning Report, including Appendices, at the June 20, 2018 Business Issues Committee ("BIC") meeting for an advisory vote recommending that the Management Committee recommend that the Board approve the report, which vote was held on a motion that was approved;

WHEREAS, the NYISO presented the draft AC Transmission Public Policy Transmission Planning Report, including Appendices, and the June 21, 2018 Operating Committee ("OC") meeting for information purposes; and

WHEREAS, NYISO Staff has posted a draft AC Transmission Public Policy Transmission Planning Report dated June 19, 2018, including Appendices, (“Draft Report”) for the June 26, 2018 Management Committee (“MC”) meeting;

WHEREAS, the NYISO presented the draft AC Transmission Public Policy to the MC at its June 26, 2018 MC meeting for an advisory vote and recommended that the MC recommend approval of such draft AC Transmission Public Policy Transmission Planning Report by the NYISO Board of Directors; and

NOW, THEREFORE, based on the posted presentation and the Draft Report, as presented and discussed at the June 26, 2018 MC meeting, the MC hereby recommends approval of the Draft Report by the NYISO Board of Directors.

The motion passed with 80% affirmative votes.

4. New Business

There was no new business.

The meeting adjourned at 1:00 pm.