

**Final Minutes**  
**New York State Reliability Council, L.L.C. (NYSRC)**  
**Executive Committee**  
**Meeting No. 140 – December 10, 2010**  
**Albany Country Club, Voorheesville, NY**

**Members and Alternates**

**in Attendance:**

George C. Loehr	Unaffiliated Member – Chair
Curt Dahl, PE	LIPA - Alternate – ICS Chair - Phone
Richard J. Bolbrock, PE	Municipal & Electric Cooperative Sector – Member – Phone*
William H. Clagett	Unaffiliated Member - Phone
Bruce B. Ellsworth	Unaffiliated Member
George Smith	Unaffiliated Member
Michael Mager, Esq.	Couch White, LLP (Large Customers' Sector) – Member - Vice Chair
Mayer Sasson	Consolidated Edison Co. of NY, Inc. – Member
Joe Hippius	National Grid, USA – Member
Ray Kinney	New York State Electric & Gas/Rochester Gas & Electric – Alternate
Tom Duffy	Central Hudson Gas & Electric – Member
Arnie Schuff	New York Power Authority – Member
Chris LaRoe	IPPNY (Wholesale Sellers) – Member

**Others:**

Paul L. Gioia, Esq.	Dewey & LeBoeuf LLP - Counsel
Al Adamson	Consultant - Treasurer
Henry Chao	New York Independent System Operator (NYISO)
Carl Patka, Esq.	New York Independent System Operator (NYISO) - Counsel
Kristin Bluvas, Esq.	New York Independent System Operator (NYISO) - Counsel
Wes Yeomans	New York Independent System Operator (NYISO)
Roger Clayton	Electric Power Resources, LLC – RRS Chair
Don Raymond	Executive Secretary
Edward Schrom	NYS Department of Public Service - Phone

**Visitors – Open Session:**

Erin P. Hogan, P.E.	NYSERDA
Scott Leuthauser	HQUS
Dean Ellis	Dynegy Corp.
Mark Younger	Slater Consulting

“\*” – Denotes part time attendance at the meeting.

## Agenda Items – (Item # from Meeting Agenda)

- I. **Executive Session** – An Executive Session was not requested.
- II. **Open Session**
- 1.0 **Introduction** – Chairman Loehr called the NYSRC Executive Committee (Committee) Meeting No.140 to order at 9:30 A.M. on December 10, 2010 at the Albany Country Club.
- 1.1 **Meeting Attendees** – All Members and/or Alternate Members (or representatives) of the NYSRC Executive Committee were in attendance.
- 1.2 **Visitors** – See Attendee List, page 1.
- 1.3 **Requests for Additional Agenda Items** – None
- 1.4 **Declarations of “Conflict of Interest”** – None
- 1.5 **Executive Session Topics** – None
- 2.0 **Meeting Minutes/Action Items**
- 2.1 **Approval of Minutes for Meeting No. 139 (November 12, 2010)** – Mr. Raymond introduced the revised draft minutes. Following further discussion, Mr. Ellsworth moved for approval of the minutes. The motion was seconded by Dr. Sasson and unanimously approved by the Executive Committee Members – (13 to 0). The Executive Secretary will post the minutes on the NYSRC web site – **AI #140-1.**
- 2.2 **Approval of Minutes for the November 19, 2010 Conference Call** – Mr. Raymond presented the revised draft minutes of the conference call held on November 19, 2010. After discussion, Mr. Mager moved for approval of the draft minutes. The motion was seconded by Mr. LaRoe and unanimously approved by the Executive Committee (13 to 0).
- 2.3 **Action Items List** – The Committee reviewed the Outstanding Action Items list and accepted removal of the following items:

<u>Action Item #</u>	<u>Comments</u>
123-7	The modification to Policy 1 and PRR#105, <u>Exception Reviews</u> , were approved at the October 8, 2010 Executive meeting.
134-3	Mr. Chao assigned Mr. Yeomans to represent the NYISO in the SCR investigation.
134-7	Mr. Gonzales clarified the requirements to declare a system emergency at the August 13, 2010 Executive Committee meeting.
136-2	The Executive Committee provided comments prior to the September 10, 2010 Executive Committee meeting.
137-5	The PRR#106 was broadened to include all Blackstart providers and approved for posting for “Review and Comment” during the November 12, 2010 Executive Committee meeting.
138-3	The Dynegy issues were resolved and PRR#104, <u>Verification Testing of Resource Capacity</u> , received final Executive Committee approval during the November 12, 2010 Executive Committee meeting.
139-4	The Executive Committee provided comments prior to its December 10, 2010 meeting.

### 3.0 Organizational Issues

#### 3.1 NYSRC Treasurer's Report

- i. **Summary of Receipts & Disbursements** - Mr. Adamson presented the Summary of Receipts and Disbursements which showed a balance of \$158,500 at the end of November, 2010. The projected year-end variance from budget is \$135,000 under budget.
- ii. **2011 Cash Flow** – Mr. Adamson reviewed the 2011 Monthly Cash Flow Estimate, which is the basis for the 2011 Call-For-Funds. The month end balance for December 2011 is estimated to be \$30,000.
- iii. **1<sup>st</sup> Quarter Call-For-Funds** – Based on the 2011 monthly cash flow estimates, Mr. Adamson requested Executive Committee approval of a \$5,000 annual membership fee that applies to all NYSRC affiliated members and a first quarter supplemental assessment of \$10,000 applicable to the six Transmission Owners. Mr. Kinney moved for approval of the request. The motion was seconded by Dr. Sasson and unanimously approved by the Executive Committee (13 to 0).

#### 3.2 Other Organizational Issues – Nothing additional to report.

### 4.0 Installed Capacity Subcommittee (ICS) Status Report/Issue

#### 4.1 ICS Status Report and Discussion Issues –

#### 4.2 2011 IRM Report - Mr. Dahl reminded the Executive Committee that during its November 19, 2010 conference call, the “true up” EFORd methodology issue was resolved in favor of reverting to the “legacy” methodology for the 2011 IRM Study. The “legacy” methodology resulted in a base case IRM of 16.1%. However, at the November 29, 2010 ICS meeting, the NYISO informed the Subcommittee that GE had discovered a data transposition error in the ConEd-PJM import/export limits which warranted development of a new base case. The NYISO Staff made an extraordinary effort to rerun the base case and complete the Unified Methodology necessary to specify the appropriate Locational Reserve Requirements (LRRs). The results of the technical analyses indicate a base case IRM of 15.5% and LRRs of 101.3% and 81.0% for Long Island and New York City, respectively.

Mr. Mager questioned whether it was possible to adjust the IRM process schedule in order to help avoid 11<sup>th</sup> hour changes that could impact the Executive Committee's decision making schedule. Mr. Dahl indicated that ICS is examining the possibility of advancing the IRM schedule by one month beginning with the approval of the Assumptions Matrix in July rather than August. Dr. Sasson indicated that TOs with the ability to check the “masked” data base were not given the opportunity to do so. Mr. Patka indicated that the Agreement that provides for TO review is in place. However, further encryption protection of confidential data felt to be necessary by GE. Mr. Chao indicated that he has received the necessary confirmations from GE and NYISO management to proceed with TO review of next year's non confidential IRM data. He further indicated that all necessary encryption data verification will be complete by February 2011 – **AI #140-2**. Mr. Gioia reinforced the importance of implementing the Agreement which had been negotiated and signed over one and a half years ago. At the request of Mr. Clagett, Mr. Dahl agreed to lead a “lessons learned” discussion at the February 11, 2011 Executive Committee meeting – **AI #140-3**.

Mr. Dahl briefly discussed Table 1, Parametric Impact Comparison with the 2010 IRM study, of the 2011 IRM Report noting that changes to 12 major parameters caused the net reduction of 2.4 percentage points in IRM, that is a reduction of 17.9% in 2010 to 15.5% in 2011. After discussion, Mr. Dahl moved for approval of the base case IRM of 15.5% derived from the technical analysis to replace the 16.1% agreed to during the November 19, 2010 conference call. The motion was seconded by Mr. Ellsworth and unanimously approved by the Executive Committee (13 to 0).

Next, Mr. Dahl focused attention on Table 2, Sensitivity Cases, in the 2011 IRM Study. The results are based on the 15.5% base case and the preliminary 14.8% and 16.1% base cases. The results, derived from interpolation between the preliminary base cases, are documented in the Appendix.

Among the more significant results were: (a) an isolated NYCA would require a 10.1% higher IRM, (b) removal of load uncertainty from the data would reduce the IRM by nearly 8.0%, (c) no internal transmission constraints reduced the IRM by only 2.3 percentage points, (d) removal of all wind generation reduces the IRM by 3.9 percentage points, and (e) retirement of Indian Pt. increases the IRM by 6.4 percentage points. Time constraints did not permit analysis of an alternate load shape or agreement on the modeling technique to determine the impact of changes in methodology only. Dr. Sasson recommended that all reference to these two sensitivities be removed from the 2011 IRM Report to maintain its overall quality. The Executive Committee concurred. Following further discussion, Mr. Mager moved for approval of the 2011 IRM Report absent the cases that were not completed due to time constraints. The motion was seconded by Mr. Kinney and unanimously approved by the Executive Committee (13 to 0).

**4.3 Selection of 2011-2012 IRM** – Mr. Gioia began the discussion by reviewing the pertinent sections of the IRM Voting Procedure documented in Policy 5-4. A straw vote (confidential) was taken to determine the starting point for the up/down balloting of the designated IRM(s). The result of the straw vote was a starting point IRM of 15.5%.

Dr. Sasson noted that this year the IRM process experienced data base errors, the backing out of a modeling assumption and incomplete sensitivities, and urged the Committee to prudently adopt an IRM higher than the Base Case value. Mr. Mager advocated in support of adopting the 15.5% Base Case value as the IRM. He indicated that every year, the IRM Study is improved, and it currently is one of the best studies – if not the best study – of its kind. Mr. Mager also noted that the Base Case assumptions already reflect a level of conservatism, thereby obviating the need for any type of “adder” to the Base Case result. Finally, Mr. Mager noted that in at least one additional respect, the 15.5% Base Case value can be viewed as conservative. Recognizing that the alternative methodology for calculating EFORD’s that was discussed by the NYSRC EC was included as a sensitivity case and not part of the Base Case assumptions, Mr. Mager noted that (i) the NYISO endorsed the alternative methodology, (ii) GE endorsed the alternative methodology, and (iii) the alternative methodology, had it been included as a Base Case assumption, would have produced a 14.2% Base Case value.

The Executive Committee then voted specifically on whether or not to approve 15.5% as the 2011 final IRM. In a confidential ballot, 15.5% received the necessary nine (11 yes, 2 no) votes for approval as counted and confirmed by the Executive Secretary and NYSRC Counsel.

Mr. Adamson noted that the IRM Resolution would be circulated over the weekend for comment by Monday’s close of business, December 13, 2010. The Resolution will be included in a NYSRC filing with FERC which requests that the Commission accept and approve the NYSRC’s filing effective no later than February 16, 2011, so that the revised ICR may be in place for the installed capacity auction to be conducted by the New York Independent System Operator, Inc. (“NYISO”) on March 28, 2011 - **AI #140-4**. A copy of the filing will be sent to the PSC and a letter from Mr. Loehr to Mr. Whitley, President and Chief Executive Officer of the NYISO, will be sent informing him of the IRM decision. Mr. Gioia agreed to provide the press release.

**4.4 Other ICS Issues** – Nothing additional to report.

## **5.0 Key Reliability Issues**

**5.1 Defensive Strategies** – Mr. Smith noted that the NYISO has been analyzing the responses to the NYISO’s Controlled Separation RFP. It is expected that the finalists will give presentations on January 5, 2011 via webinar. Mr. Smith will brief the DSWG at its January 6, 2011 meeting. The NYISO expects to make the award by the end of January 2011.

**5.2 NPCC Defensive Strategy Activities** – Nothing new to report.

**5.3 Smart Grid – Status of NYISO Activities** – Mr. Chao noted that Functional Requirements Specifications for the capacitor bank portion of the DOE contract has been drafted and provided to the

NYISO and TOs for comment. Also, the Functional Understanding of “Smart Grid” was provided to the TOs and DOE. DOE was supportive of the document which has now been finalized.

#### **5.4 Interregional Studies of Proposed Transmission**

**i. Eastern Interconnection Planning Collaborative (EIPC)** – Mr. Chao reported that the EIPC 2020 Roll-up power flow case is being finalized. A revised Roll-up Model Report was issued November 19, 2010. The revisions are based on hundreds of stakeholder comments and questions received on the first draft issued on September 24, 2010. Completion is expected by December 28, 2010.

Flowgates for use in the CRA’s economic analysis will be developed based on input from each participating area and guidance from the linear transfer analysis results. A Macroeconomic Analysis Workshop with stakeholders was held on November 8-9, 2010 in Baltimore, MD to discuss: (a) the coordination of the MRN-NEEM model and high level transmission analysis (Task 5), (b) the overview of the Business-as-usual case and (c) the MRN-NEEM assumptions. The next Stakeholder Steering Committee Meeting is scheduled for December 13-14, 2010 in Charlotte, NC to discuss: (a) the Roll-up case, (b) modeling issues, and (c) macroeconomic futures.

**ii. IPSAC** – Mr. Adams indicated that an IPSAC webinar was held on October 29, 2010 focusing on economic modeling in each region. NYISO/ISO-NE/PJM data inputs and assumptions have been coordinated in the IREMM model for inter-area production cost studies. The models are being updated to represent a horizon year of 2015 (vs. 2013) which requires a significant updating of resource data. Once the models are complete, production cost analysis will begin. The Northeast Coordinated System Plan will include the following metrics: (a) production costs, (b) load serving entity energy expense, and (c) congestion by constraint. A report is expected during the 1<sup>st</sup> Quarter of 2011.

**iii. NPCC** – Nothing new to report.

**5.5 TO’s Strategic Transmission and Reliability Study (STARS)** – Mr. Dahl noted that work is progressing on the economic study. The methodology and modeling assumptions for the STARS economic evaluation are based on the NYISO CARIS process. The TOs and NYISO will be meeting with the PSC on December 15, 2010.

#### **6.0 Reliability Rules Subcommittee Status Report/Issue**

**6.1 RRS Status Report & Discussion Issues** – Mr. Clayton referred to the List of Potential Reliability Rules Changes – Outstanding and noted that PRRs #104, Verification Testing of Resource Capacity, received final approval at the November 12, 2010 Executive Committee meeting and PRR #106, Blackstart Facility Testing Requirements, was approved for posting for review and comment.

#### **6.2 Status of New/Revised Reliability Rules**

##### **i. Proposed NYSRC Reliability Rules Revision**

###### **a. List of Potential Reliability Rules (“PRR”) Changes**

###### **b. Status of New/Modified Reliability Rules**

###### **1. PRRs for EC Final Approval**

- None

###### **2. PRRs for EC Approval to Post**

- None

###### **3. PRRs for EC Discussion**

- None

#### **6.3 NPCC/NERC Standard Tracking**

**i. NERC Standards Development** – Mr. Adamson indicated that NPCC Standards under consideration will supplement the NERC Reliability Standards Tracking Summary – AI #139-3.

## 6.4 Other RRS Issues

- i. **DEC Meeting** – Mr. Clayton reported that a meeting was held with the DEC on December 9, 2010. The next meeting is scheduled for January 20, 2010. The LOG MOB Rule was discussed to determine whether changes could be made to fall under the DEC’s Declaratory Rule (2002). This would provide relief from environmental penalties (NOx) to those units (NYC & LI) that switched to oil under Local Reliability Rules (LRRs). Currently the generators (4000Mws) must make a decision between violating environmental or Local Reliability Rules since a NOx allowance market does not exist. The generators have signaled that they would simply shut down. Liam Baker (U.S. Generating Co.) gave a presentation indicating that approximately 50% of the time (e.g., Monday-Friday, June –August and January-February) the subject units are called upon to switch or arm their units to switch to oil. The DEC was surprised by the extent of the exposure but remained adamant that waivers would not be granted in anticipation of an emergency event. The generators noted that while their costs for backend clean-up are covered, there is no incentive to do so. Mr. Clayton indicated that an official notification from the NYSRC and/or NYISO to the DEC might carry more weight. Mr. Gioia expressed the view that the NYISO and PSC as well as the NYSRC have an interest in seeing this reliability issue resolved. Following further discussion, the NYISO agreed to attempt to obtain an estimate of the number of hours that oil is being burned as a result of the LOG MOB Rule – **AI #140-5**. Dr. Sasson agreed to circulate a presentation that Con Ed is going to make to the Operating Committee that may shed further light on this issue – **AI #140-6**. Mr. Dahl noted that LIPA is looking closely at electric system fixes to reduce oil burn. The Executive Committee agreed that a measure of the level of exposure would add substantially to any formal comments it may wish to make. Mr. Clayton noted the NERC Report, Potential Resource Adequacy Impacts of U.S. Environmental Regulations, which shows non attainment by Regions in terms of the year in which the environmental restrictions will cause an increased IRM. Depending on the scenario chosen, increased IRMs in the NYCA will occur between 2015-2018. This assumes all nuclear units remain operating.

## 7.0 Reliability Compliance Monitoring Subcommittee (RCMS) Report/Issues

- 7.1 **RCMS Status Report & Discussion Issues** – Mr. Adamson reported that RCMS met on December 2, 2010.
- 7.2 **2010 New York Reliability Compliance Program (NYRCP)** – Mr. Adamson indicated that the following Measurements were reviewed and found to be in full compliance:

- a) C-M11, Reporting of Load Flow, Short Circuit and Stability Data to the NYISO.
- b) G-M1, NYISO Procedures for Maintaining a NYCA System Restoration Plan.
- c) G-M2, Transmission Owner Restoration Plan Requirements.
- d) G-M4, NYISO Emergency Restoration Training Requirements.
- e) I-M5, ConEd Local Rule I-R1, R2 and R4 Procedures, and
- f) I-M6, LIPA Local Rule I-R5 Procedures.

Approval of Measurement G-M3, Blackstart Provider Requirements, is being held pending a NYISO investigation of a possible violation of the Blackstart Rule. Mr. Patka indicated that the NYISO has issued a Non-Compliance Letter to a generator for failure to perform a Blackstart test. Subsequently, the generator cancelled the test requested in the Letter. The NYISO has sent a final Non-Compliance Letter and stopped payment for Blackstart services under the NYISO Tariff. RCMS will recommend at the January 7, 2011 Executive Committee meeting whether a non compliance letter should be issued to the NYISO. The decision will depend, in part, whether RCMS determines that the NYISO has taken all reasonable actions to secure Blackstart generator compliance with Reliability Rule

G-R and Measurement G-M3.

Also, Mr. Adamson noted that RCMS has begun preparing the 2011 Reliability Compliance Plan which will contain about thirty-five measurements. The suggested measurements will be proposed to the Executive Committee at its January 7, 2011 meeting. A final Plan (a.k.a. the Scorecard), including the RCMS review schedule developed in conjunction with the NYISO, will come before the Executive Committee for approval on February 11, 2011.

### 7.3 Other RCMS Issues

- i. **NYCA Transmission Review Procedure** – Mr. Adamson reminded the Executive Committee that the proposed Transmission Review Procedure was discussed at the November 12, 2010 Executive Committee meeting. The Procedure is designed to clarify for the NYISO the scope of the Transmission Review requirements in accordance with the Reliability Rules. If approved, the Procedure will become an appendix to the Reliability Rules Manual. Dr. Sasson moved for approval of the Procedure. The motion was seconded by Mr. Kinney and unanimously approved by the Executive Committee (13 to 0).
- ii **Compliance Template Manual Revisions** – Mr. Adamson noted that RCMS has completed revising the Compliance Template Manual which principally clarifies the two-stage compliance review process for monitoring compliance of measurements for which Market Participants (MPs) have compliance requirement and reporting responsibility. The revisions were discussed in detail at the Executive Committee’s November 12, 2010 meeting. Following further discussion, Mr. Ellsworth moved for approval of the revisions. The motion was seconded by Mr. Kinney and unanimously approved by the Executive Committee (13 to 0).

### 8.0 State/Federal Energy Activities

8.1 **NYSERDA - Update** – Ms. Hogan noted that comments are due February 7, 2011 on the Climate Action Council’s interim draft Climate Action Plan. Messrs. Dahl and Gioia are preparing NYSRC comments – **AI #139-2**.

8.2 **NPCC Report** – Nothing new to report.

8.3 **FERC 100kV “Bright Line” – Status** – Mr. Clayton reported that at the last NPCC-RCC meeting Mr. Schwerdt gave a presentation on FERC Order No. 743 Final Rule, in Docket No. RM09-18-000, Revision to Electric Reliability Organization Definition of Bulk Electric System, urging NPCC members to accept the 100Kv and above “bright line” requirement and support the implementation process. However, the Final Rule does allow the ERO, in accordance with Order No. 693, to develop an alternative proposal for addressing the Commission’s concerns with the understanding that any such alternative must be as effective as, or more effective than, the Commission’s proposed approach and may not result in a reduction in reliability.

The Order directs the ERO, through the ERO’s Reliability Standards Development Process to: (a) revise the definition to address the Commission’s technical concerns and ensure that the definition encompasses all facilities necessary for operating an interconnected electric transmission network and (b) establish an exemption process and criteria for excluding facilities that are not necessary for operating the interconnected transmission network. The revised definition must be provided to FERC by January 2012. An eighteen month implementation period will follow the approval by FERC.

Mr. Adamson indicated that the SAR Team will be composed of representative from all the Regions. Mr. Fedora is representing NPCC on the Team. An expanded Drafting Team will develop the BES definition and ample opportunity for comment will be provided. The NYSRC agreed to participate through the commenting process.

Mr. Gioia noted that if and when FERC approves an exemptions process and criteria, FERC will not be reviewing each individual request for an exemption.

**9.0 NYISO Status Report/Issues**

**9.1 NYISO 2010 Comprehensive Reliability Planning Process (CRPP)** – Mr. Chao indicated that the NYISO Board of Directors approved the 2010 RNA on September 21, 2010. The finalized draft of the 2010 Comprehensive Reliability Plan was approved at the November 18, 2010 Operating Committee meeting.

The CARIS II base case model was presented to BIC on October 6, 2010. The NYISO and the developer have signed a Study Agreement. The ESPWG has requested six specific scenarios be run, and the developer has indicated an interest in four or five additional scenarios. A consultant will be used to perform the studies.

**9.2 Other Status Reports/Issues** – Nothing new to report.

**10.0 Other Items**

**10.1 NYISO Operations Report** – Mr. Yeomans reported that for November 2010, the peak load occurred on Tuesday, November 30, 2010 at 21,671Mws versus the all time winter peak of 25,541Mws on December 20, 2004. There were no Major Emergencies declared in November 2010 nor was a TLR 3 declared. Clockwise Lake Erie circulation remains low. On November RPU/SAR was activated due to the loss of Indian Pt. 2 loaded at 1026Mws. On November 10, 2010 a RPU/SAR was activated due to the loss of Nine Mile Pt. 1 loaded at 622Mws. ACE crossed 0 within 10 minutes in both instances.

**10.2 North American Energy Standards Board** – Nothing new to report.

**11.0 Visitors' Comments** – None

**12.0 Meeting Schedule -**

<u>Mtg. No.</u>	<i>Date</i>	<i>Location</i>	<i>Time</i>
#141	Jan. 7, 2011	NYSERDA Offices, Albany, NY.	9:30 A.M.
#142	Feb.11, 2011	Albany Country Club, Voorheesville, NY.	9:30 A.M.

The open session of Committee Meeting No.140 was adjourned at 3:30 P.M.