

Final Minutes
New York State Reliability Council, L.L.C. (NYSRC)
Executive Committee
Meeting No. 56 – December 11, 2003
Albany Country Club – Voorheesville, NY

Members and Alternates:

Richard J. Bolbrock	Long Island Power Authority (LIPA)
Curt Dahl	LIPA – Alternate & ICS Chairman
William H. Clagett	Unaffiliated Member
Timothy R. Bush	Muni. & Elec. Cooperative Sector – Alternate Member
Joseph C. Fleury	New York State Electric & Gas Corp./Rochester Gas & Electric
Thomas C. Duffy	Central Hudson Gas & Electric (CHG&E)
George C. Loehr	Unaffiliated Member & RCMS Chairman
Michael B. Mager	Large Consumer's Sector; Couch, White, LLP – Alternate
Thomas M. Piascik	Wholesale Seller's Sector; PSEG Power, LLC
Mayer Sasson	Consolidated Edison Co. of NY, Inc.
Thomas J. Gentile	National Grid, USA
H. Kenneth K. Haase	New York Power Authority
George E. Smith	Unaffiliated Member

Others:

John Adams	New York Independent Systems Operator (NYISO)*
Greg Drake	NYISO (Phone)
Roger E. Clayton	Conjunction, LLC – RRS Chairman
Alan M. Adamson	Consultant & Treasurer
Paul L. Gioia	LeBoeuf Lamb Greene & MacRae (LLG&M)
Don Raymond	Executive Secretary
Edward C. Schrom, Jr.	NYS Department of Public Service (NY DPS or PSC)

Visitors – Open Session:

Erin P. Hogan, P.E.	New York State Energy Research Corp.
Gerry LaRose	New York Power Authority (Phone)*
Steven Wemple	Con Ed Energy (Phone)*
Frank Vitale	Consultant to ICS

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

Agenda Items – (Item # from Meeting Agenda)

- I. **Executive Session** – An Executive Session was held following adjournment of the Open Session to discuss Blackout and Administrative issues.

- II. **Open Session**
 - 1.0 **Introduction** – Mr. Haase called the NYSRC Executive Committee Meeting No. 56 to order at 9:30 A.M. He expressed the desire to have a short Executive Session following the Open

Session to discuss the NYSRC Executive Committee's (Committee) response to the Joint U.S.-Canadian System Outage Investigation Task Force, other Blackout matters, and certain administrative issues. Also Mr. Haase, on behalf of the Committee, congratulated Dr. Sasson on his appointment as a Life Fellow of the Institute of Electrical and Electronic Engineers(IEEE) for significant lifetime accomplishments in the engineering profession.

Meeting Attendees - Twelve Members and/or Alternate Members of the NYSRC Executive Committee were represented at the meeting. Mr. Ellsworth was not in attendance, however, Mr. Haase was given his proxy for the meeting.

- 1.1 Visitors** – See Attendees List above.
- 1.2 Requests for Additional Agenda Items** – The Committee approved the Revised Agenda with the addition of the Executive Session.
- 1.3 Executive Session Topics** – See **Item 1.0, Introduction.**

- 2.0 Meeting Minutes/Action Items List**
 - 2.1 Approval of Minutes for Meeting No. 55 (November 14, 2003)** –The Committee offered several points of clarification. Subject to these clarifications, Mr. Smith moved that the Committee approve the revised draft minutes for Meeting No. 55 which was seconded by Mr. Clagett and approved unanimously by the Committee Members in attendance (13-0). The Executive Secretary will issue the final minutes for Meeting No. 55 and post them on the NYSRC web site - **AI#56-1.**
 - 2.2 Action Items List** – The Committee reviewed the Outstanding Action Items list and accepted the following items as complete:

<u>Action Item #</u>	<u>Comments</u>
35-7	Withdrawn by Dr. Sasson.
54-11	The NYISO indicated that blended EFORs were not feasible in MARS.
55-2	The Account's "boiler plate" was found to be acceptable per review by Mr. Gioia.
55-3	Web site maintenance was incorporated into the Summary of Receipts & Disbursements 12/11/03
55-4	The Exec. Secretary provided the Code of Conduct Forms To Messr. Fishman, Gwyn, and Longhi.
55-6	The Committee provided comments on the revised Accounting Procedure to Mr. Adamson.
55-8	Letter was sent to Mr. Museler, dated 11/25/03.
55-11	Withdrawn following Mr. Haase's discussion

55-13	with Mr. Schwerdt (NPCC Exec. Director). IRM Study was accepted by the Committee 12/ 11/ 2003.
55-15	Changes to the IRM Study “Executive Summary” were approved by the Committee on 12/11/2003.

3.0 Organizational Issues

3.1 NYSRC Treasurer’s Report – Mr. Adamson presented the Treasurer’s Report to the Committee.

- i. **Summary of Receipts & Disbursements** – Mr. Adamson presented the Summary of Receipts and Disbursements, noting that the Member receipts of \$50,000 for November constitutes the last payment under the Call-For-Funds for the final quarter of 2003.
- ii. **Call-For-Funds – 2004** – Mr. Adamson presented a table, “2004 Monthly Cash Flow Estimate”, which was developed in accordance with the NYSRC 2004 Budget and the Funding Mechanism approved by the Committee for 2004. The table shows estimated monthly expenses and receipts resulting in a year-end balance of \$50,000 and quarterly Affiliated Member assessments. Mr. Adamson further recommended a 1st Quarter 2004 Call-For-Funds based on the table, ie., \$5,000 Membership Fee for all Affiliated Members plus \$18,000 from NYSEG/RG&E and \$20,000 from each remaining Transmission Owner. After discussion, Mr. Bolbrock moved for approval of the Call-For-Funds which was seconded by Mr. Smith and approved unanimously by the Committee (13 to 0).

3.2 Other Organizational Issues

- i. **NYSRC Code of Conduct** – Mr. Fleury reported that he had received all Acknowledgement Forms with the exception of Messrs. Gwyn (N.Grid) and Longhi (ConEd) Mr. Haase asked the Executive Secretary to remind the gentlemen of the need to forward the signed Acknowledgement Form as soon as possible – **AI#56-2**.
- ii. **Revised NYSRC Policy 3, Accounting** – Mr. Adamson introduced a red-line of the revised NYSRC Policy No. 3-4, “Accounting Procedure” showing the proposed changes from the existing edition. Following discussion, the Committee requested that a sentence be added to paragraph 3.3 clarifying the recipient of expense receipts and a space be provided on the Appendix B, Reimbursable Expenses & Compensation, form for the Requestor’s signature. Mr. Bolbrock moved that the Committee accept the Policy with the clarifications noted. Mr. Fleury seconded the motion which was then unanimously approved by the Committee (13 to 0). Mr. Adamson will provide the approved Policy 3-4, Accounting Procedure, to the Executive Secretary for posting on the NYSRC web site – **AI#56-3**.

4.0 NYISO Status Report/Issues

4.1 Status of NYISO August 14, 2003 Blackout Investigation – Mr. Adams reported that an interim report was given to the Transmission Owners at the recent NYISO System Operating Subcommittee meeting for their review. A copy will be provided to the Committee by its January 9, 2004 meeting - **AI#56-4**.

4.2 Comments on the Joint US/Canadian Blackout Investigation – Mr. Haase indicated that the Interim Blackout Report was issued on November 19, 2003 and three public meetings were held in Cleveland, OH, New York, NY, and Toronto, CN on December 4, 5, and 8, respectively. Dr. Sasson made a brief statement on behalf of the NYSRC during the New York City meeting. The DOE has provided opportunity for written comments and recommendations to be submitted by January 12, 2004. The Committee should forward comments to Dr. Sasson by December 17, 2003 to provide time for a final review by the Committee before filing – **AI#56-5**. Messrs. Haase and Fleury noted that NERC has announced a Technical Conference to be conducted by the Electric Systems Investigation Team in support of the US/Canada System Outage Task Force at 8:00AM – 5:30PM on December 16, 2003 at the downtown Marriot in Philadelphia, PA. Mr. Haase will attend.

5.0 Reliability Rules Subcommittee Status Report/Issues

5.1 RRS Status Report & Discussion Issues – Mr. Clayton reported that the RRS last met on December 3, 2003. The Subcommittee devoted a large amount of time to a Voting Position document for NERC Reliability Standard 200(See **5.3i,c,d**). RRS has also begun preparing comments on a revised NPCC A-2 document.

5.2 Status of New/Revised Reliability Rules

i. Proposed NYSRC Reliability Rules Revision

a. List of Potential Reliability Rules (PRR) Changes – Mr. Clayton indicated that PRRs # 8, 52, and 59 continue to wait for input from the NYISO. PRR # 67 is on hold pending completion of a review of emergency communications procedures. PRR # 66 was posted on November 18, 2003 with comments due on January 5, 2004.

b. Status of New/Modified Reliability Rules

1. PRRs for Final EC Approval - none

2. PRRs for EC Approval to Post for Comments – none

5.3 Other RRS Issues

i. NPCC/NERC Criteria Tracking

a,b. Impact of Failure To Pass The Federal Energy Bill – Mr. Gioia reviewed the more recent events leading up to the Senate vote on the Energy Bill which failed by only two votes. He noted that the Bill contained language that could be helpful in keeping existing Reliability Rules in effect unless they are found by FERC to be in conflict with the new legislation. He also noted that, if and when the Bill passes, regulations will need to be written by FERC to implement its provision. In the interim Mr. Gioia suggested that the Committee review its strategy with respect to the pending legislation and its subsequent implementation by FERC. With this in mind, Mr. Haase asked Mr. Gioia to develop, as soon as possible, a “Position/Issues Paper” for consideration by the

Committee – **AI#56-6**. The Paper will serve as the basis for strategy development and future communication on this matter.

c,d. NERC Standards Transition – Status – Mr. Adamson reported that NERC Reliability Standard 200, Operating Within Interconnected Operating Limits, has a voting window of December 18, 2003 through January 8, 2004. He noted that RRS reviewed the Standard during its December 3, 2003 meeting and prepared a Voting Position document. Also, NPCC CP-9 devoted its entire meeting on December 8, 2003 to the Standard. Mr. Adamson summarized the Voting Position document indicating that RRS recommends a NO vote posted with the following primary comments:

- “T_v”, the time that Standard 200 allows an Interconnection Reliability Limit to be exceeded without compliance sanctions, is open-ended, mute on obvious seams issues, and degrades present NERC criteria put forth in Operating Policy 2. The Standard should specify a maximum T_v of 30-minute. If a ceiling of 30- minutes is not specified, reliability can be expected to degrade.
- The NYSRC is opposed to monetary sanctions as applied in proposed Standard 200. Instead, the NYSRC believes that when mandatory Reliability Rules are in place and linked to contracts and/or tariffs, as is the case in New York State and NPCC, monetary sanctions represent a step backward for Reliability Enforcement relative to letters of increasing degrees of severity including a possible ban from participation in the electric markets. This position is supported by a proven record of success within NPCC and the NYSRC. NERC experienced 444 violations in 2002. Of those, two were within NPCC and none within New York.
- The NYSRC is concerned that throughout the Standard the word “prevent” is liberally used in conflict with the fact that the design of an electric power system cannot and should not be expected to “prevent instability, uncontrolled separation, or cascading outages that adversely impact the reliability of the bulk transmission system”* in all instances. This misleading statement and the lack of sensitivity to the risks facing Transmission Owners in a litigious society is unacceptable.

***Standard 200, pg 1, Purpose.**

Mr. Adamson also noted that NPCC, NYISO, ISO-NE, and IMO had already decided to vote NO and provide explanatory comments. Following further discussion, Mr. Clagett moved that the Committee direct Mr. Adamson to cast a NO vote on behalf of the NYSRC along with the above comments and others of the Committee and RRS. The motion was seconded by Mr. Gentile and approved unanimously by the Committee (13 to 0) - **AI#56-7**.

Mr. Adamson further indicated that two additional Standards are up for comment: Standard 600, “Determining Facilities Ratings, Operating Limits, and Transfer capabilities”, and the “Permanent Cyber Security” SAR. RRS will provide comments on both proposed Standards for the Committee’s review at its

January 9, 2004 meeting – **AI#56-8**. Final comments are due to NERC by January 21, 2004. Mr. Loehr reiterated the two principles that the Committee had previously agreed to emphasize when reviewing criteria: (a) NERC Criteria should be viewed as the minimum acceptable criteria and (b) no reliability entity should need NERC approval to implement a more stringent Reliability Rule than required by NERC. The Standard 600 comments will include both principles. Mr. Adamson then reviewed the status of Regional Differences and the NPCC Executive Committee's decision to include their Regional Differences in the proposed NERC Standards. NPCC is the lone Region to take this stance. Mr. Gioia reiterated his suggestion that the NYSRC try to confirm statements by NERC representatives that the more detailed and more stringent standards of the NYSRC do not have to be included as Regional Differences in the new proposed NERC Reliability Standards. Mr. Haase asked Mr. Gioia to prepare a draft letter to NPCC and NERC addressing this suggestion - **AI#56-9**.

- ii. **PSC Renewables Proceeding – Reliability Concerns(AI#49-15)** – Mr. Gioia reported that the ALJ decided to delay her Recommended Decision(RD) at least until phase 1 of the Wind Study is completed and available. There will be a comment period in early January 2004 after which the ALJ will render her RD or delay further to the end of Phase 2 in early 2005.

6.0 Installed Capacity Subcommittee's Status Report/Issues

6.1,6.2 ICS Status Report and Discussion Issues – Mr. Dahl reported that the ICS met on December 4, 2003 to complete the draft report, “New York Control Area Installed Capacity Requirements for the Period May 2004 Through April 2005”, for Committee approval at its December 11, 2003 meeting. The Subcommittee addressed lingering items and numerous comments received from Committee Members, most notably Messrs. Sasson and Smith. However, the Study's numerical results were not changed. Mr. Dahl then summarized some of the highlights of the Report:

- **Base Case** - The result is an IRM of 17.1%±0.3 percentage points with a confidence level of 99.7%, which is consistent with a standard error of the estimate of Loss-of-Load Expectation(LOLE) of 0.05.
- **Load Shape** - The load shape was updated to actual 2002 data based on analysis showing that 2002 data rather than 1995 data more closely depicts typical weather conditions. The 2002 load shape is slightly less conservative, but this is offset by the migration of load downstate.
- **Load Forecast-Uncertainty**-The Load Forecast Uncertainty(LFU) model was unchanged. However, the 2004 LFU model was divided into three areas: New York City, Long Island, and the remainder of NYCA to reflect the unique characteristics of each.

- Forced Outage-NYCA data rather than NERC class average data was used for Rates units with less than 10 years of operation. This change reduced the FORs from about 12% to 3-4% over the last 3 years and the overall 10-year FOR averages used in the study. The effect was a reduction in the Base Case IRM of 1.7 percentage points relative to the prior year.
- EOPs EDRPs and Voluntary Curtailments were reduced this year by 129 and 117 MW, respectively.

The Committee then discussed, for edification purposes, a number of technical aspects of the Study including transmission modeling, SCR modeling and its frequency of use, discounting of the EDRP EOP step, the ordering, effect and level of EOPs, and the method used by ICS to select key sensitivity cases. Dr. Sasson emphasized the need to carefully examine those assumptions that have a significant impact on IRM. Mr. Gentile suggested focusing first on the assumptions with the highest variability. The Committee also requested changes to the Report to add specificity. Dr. Sasson moved that the Committee approve the Report as revised which was seconded by Mr. Mager and unanimously approved by the Committee (13 to 0). Further, the Chairman on behalf of the Committee commended Mr. Dahl, ICS, and all others participating in the Study for a superior work product. The Executive Secretary will forward the final Report to the Committee and post it on the NYSRC web site – **AI#56-10**.

6.3 2004 IRM Resolution – Dr. Sasson expressed concern that this year’s change to EFORS from NYCA data(vs.NERC GADS data) for units in-service less than ten years changed the IRM by 1.7 percentage points relative to the prior year. He also stated that in his opinion such a large change in assumption is bothersome without additional transmission and/or generation resources added to the grid. Furthermore, Mr. Adams added that the audits of about 14,000MWs of capacity over one years ending September 2003 indicated errors in reporting EFORS of 1.0 percentage point(4.8% vs 3.8%). Mr. Adams also noted that (a) when the switch was made to the UCAP concept, step-up transformer and generator lead outages were no longer reported as part of a unit’s EFOR and (b) some SCRs were reporting instantaneous readings rather than one hour integrated readings. On the other hand, Mr. Vitale and others pointed out that New York State generator availabilities have consistently been substantially better than the NERC GADS data for average unit types would indicate. Therefore, the 1.7 percentage point change noted above was not surprising to some, and merely reflective of the impact of replacing data that was known to be overly conservative with actual unit experience. Further, Mr. Adamson indicated that while the findings of recent audits must be corrected, the magnitude of the correction suggested to-date on the outcome of the IRM Study is minimal considering the errors affects less than half the NYCA capacity and are averaged over the number of years a particular unit has operated, including years prior to the incentives commensurate with the deregulation of generation.

Mr. Haase then asked each Committee Member to express his preference regarding the appropriate IRM level. It was clear that the Committee was about evenly split between 17.5% or retaining the current 18.0%, though two Members would have supported 17.1%. Eight rounds of voting, each separated by additional discussion, were necessary to achieve a minimum requirement of nine Member votes to approve a particular IRM level. The

intervening discussions focused on the technical material noted previously, risk level of the assumptions, extent of consideration due the sensitivity cases, and political ramifications of the final IRM selected. The voting results are summarized below:

Summary of Voting Results

#	Description(Vote for:)	Motion/2 nd	Yea/ Nay
1	Amend to 17.5% from original motion for 18.0% IRM	T. Bush/ B. Clagett	7/6
2	Original motion for 18.0%	M.Sasson/ G. Loehr	8/5
3	Motion for 17.5%	G.Loehr/ M.Mager	7/6
	LUNCH BREAK		
4	Motion to retain 18.0%	M.Sasson/G.Smith	8/5
5	Motion for 17.5%	M.Mager/ T.Gentile	7/6
6	Amendment to 17.7%	T.Gentile/M. Mager	6/7
7	Amendment to 17.8%	M.Mager/T.Gentile	4/9
8	Original motion to retain 18.0% IRM	R.Bolbrock/M.Sasson	11/2*

* Messrs. Mager and Gentile asked that the minutes reflect their dissenting votes.

Mr. Duffy expressed the need for the Committee to review the decision process used to arrive at the final IRM requirement given the technical study's base case and sensitivity case results. Mr. Haase supported this viewpoint and asked the Executive Secretary to include an agenda item, "Lessons Learned from the 2004 IRM Process" for the Committee's January 9, 2003 meeting - **AI#56 -11**.

Having selected an IRM of 18.0% for the period May 1, 2004 through April 30, 2005, the Committee reviewed a proposed Resolution provided by Mr. Adamson acknowledging the selection. Dr. Sasson moved that the Committee approve the Resolution memorializing the 18.0% IRM for the period noted above. The motion was seconded by Mr. Smith and approved by the Committee (11 to 2). An informational filing of the Installed Capacity Requirements Report will be made by Mr. Gioia to advise FERC of the Committee's decision - **AI#56-12**.

- 7.0 Reliability Compliance and Monitoring Subcommittee Status Report/Issues**
- 7.1 RCMS Status Report & Discussion Issues** – Mr. Loehr reported that RCMS met on December 10, 2003 and devoted nearly the entire meeting to RCMS Compliance Reviews. Regarding the NYSRC Reliability Compliance Program for 2004, the NYISO segment is completed. The RCMS is expecting to complete the Market Participant segment at its January 8, 2004 and provide the entire program for 2004 to the Committee at its January 9, 2004 meeting – **AI#56-13**.
- 7.2 Status of NYSRC Reliability Compliance Program (NYRCP)**
- i. 2003 NYRCP Responsibilities and Milestones** – Mr. Loehr indicated that all but two of the Compliance Reviews are complete. Those remaining are expected to be completed in early January 2004 and report on at the Committee’s January 9, 2004 meeting – **AI#56-14**.
- ii. 2003 NYRCP Assessments** - none.
- 8.0 NYISO Studies – Status Report** – Mr. Adams reported on the following studies:
- 8.1 Transmission Reliability Study** – The 2003 NERC Area Transmission Review draft report should be available in a few days.
- 8.2 Reactive Resource Adequacy Study** – The Study is being distributed for comment by the Operating Studies Task Force. Mr. Adams will e-mail out the draft – **AI#56-15**.
- 8.3 NYSERDA/NYISO Gas Study** – The Study Group met on November 26, 2003 to discuss the study scope prepared by the PSC. Messrs. Haase, Ellsworth, Bolbrock, and Adams were in attendance. Following the meeting, Mr. Ellsworth provided written comments which were supplemented by Mr. Haase to address whether the electric system can sustain the loss of a single pipeline either up or down stream of the city gate. Mr. Bolbrock then reported on a December 8, 2003 meeting of the PSC’s Reliability Advisory Group. A presentation was made by David Manning, Sr. VP of Corporate Affairs for KeySpan, on a 14 month study prepared by the National Petroleum Council under contract with the Department of Energy. The study addressed the potential implications on new supply, new technologies, and new perceptions of risk, and other evolving market conditions that may affect natural gas demand, supply, and delivery to 2025. Mr. Bolbrock noted that for the first time gas supply issues have been identified; eg, traditional supplies can be expected to provide 75% of the North America’s needs, but will be unable meet demand. This conclusion emphasizes the need for a coordinated Federal policy regarding demand, supply and delivery.
- 8.4 Wind Study** – The NYSERDA/NYISO Wind Study Phase 1 Report is due from the contractor, GE, by December 31, 2003. After internal review, it will be made available to stakeholders for comment during the second week of January 2004. The goal is to issue the final Phase 1 Report by the end of January 2004.
- Other** – The NYISO has received stakeholder approval for a formal planning process. A detailed work plan is being developed and will be presented to Electric System Planning Working Group. Mr. Adams will provide the work plan to the Committee – **AI#56-16**.
- 9.0 Other Items**
- 9.1 Millennium Gas Pipeline Proceeding** – Nothing new to report.
- 9.2 Reliability Legislation Update** – See item 5.3i.

- 9.3 **NYISO Operations Report** – Mr. Haase note that through November 2003 the Major Emergency, Alert State, and Reserve Activation numbers are either in-line or noticeably better than 2002.
- 9.4 **North American Energy Standards Board (NAESB) Report** – Nothing new to report.
- 9.5 **FERC Wholesale Power Market Platform Proceeding** – Nothing new to report.
- 9.6 **NYISO Draft Strategic Plan** - Mr. Gioia reported that a draft plan for the Market Participants and NYISO Board was issued December 8, 2004.
- 9.7 **NPCC Report** - See item 5.3i.

10. **Visitors Comments** - No visitor comments were received.

11. **Meeting Schedule** –

<u>Mtg. No.</u>	<u>Date</u>	<u>Location</u>	<u>Time</u>
#57	Jan. 9, 2004	NYISO Offices, Washington Ave Ext., Albany, NY	9:30 A.M.
#58	Feb 13, 2004	Albany Country Club, Voorheesville, NY.	9:30 A.M.

The Open Session of Committee Meeting No. 56 was adjourned at 3:55 P.M.

Completed By: P. Donald Raymond, Executive Secretary
 Issue Date: January 12, 2004