

Final Minutes
New York State Reliability Council, L.L.C. (NYSRC)
Executive Committee
Meeting No. 64 – August 13, 2004
Albany Country Club, Voorheesville, NY.

Members and Alternates:

Richard J. Bolbrock	Long Island Power Authority (LIPA)
Curt Dahl	Long Island Power Authority – Alternate Member, ICS Chairman
Bruce B. Ellsworth	Unaffiliated Member – Vice Chairman
William H. Clagett	Unaffiliated Member
Timothy R. Bush	Muni. & Elec. Cooperative Sector – Alternate Member
Thomas C. Duffy	Central Hudson Gas & Electric (CHG&E)
George C. Loehr	Unaffiliated Member & RCMS Chairman
Glenn Haake	Independent Power Producers of New York, Inc. – Alternate Member
Tom M. Piascik	PSEG Power,LLC(Wholesale Seller Sector)
Larry Eng	National Grid, USA
Michael B. Mager	Couch White, LLP (Retail Sector-Alternate Member)
H. Kenneth Haase	New York Power Authority - Chairman
George E. Smith	Unaffiliated Member
William G. Longhi	Consolidated Edison Co. of NY, Inc.
Joseph C. Fleury	New York State Electric & Gas/Rochester Gas & Electric - by phone

Others:

Alan M. Adamson	Consultant & Treasurer
John M. Adams	New York Independent System Operator (NYISO)*
Paul L. Gioia, Esq.	Counsel, 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	NYSERDA*
ChrisWentlent	AES – by phone
Tim Foxen	NRG Energy – by phone
Steve Jurenko	New York State Electric & Gas Corp./Rochester Gas & Electric – by phone*

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

Agenda Items – (Item # from Meeting Agenda)

- I. **Executive Session** – An Executive Session was not requested.
- II.

III. Open Session

1.0 Introduction – Mr. Haase called the NYSRC Executive Committee (Committee) Meeting No. 64 to order at 9:35 A.M.

Meeting Attendees - Thirteen Members and/or Alternate Members of the NYSRC Executive Committee were represented at the meeting. Mr. J. Fleury, the Committee Member for New York State Gas & Electric/Rochester Gas & Electric, participated by phone.

1.1 Visitors – See Attendees List, page 1.

1.2 Requests for Additional Agenda Items – none

1.3 Executive Session Topics – none

2.0 Meeting Minutes/Action Items List

2.1 Approval of Minutes for Meeting No. 63 (July 9, 2004) – Mr. Raymond pointed out several minor changes to the draft minutes. The Committee offered several additional points of clarification. Subject to these corrections and clarifications, Mr. Clagett moved that the Committee approve the revised draft minutes for Meeting No. 63. The motion was seconded by Mr. Eng and approved unanimously by the Committee Members (13-0). The Executive Secretary will issue the final minutes for Meeting No. 63 and post them on the NYSRC web site – **AI #64-1**.

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>
60-15	Mr. Loehr reported that the Audit Report was reviewed at the RCMS August 12, 2004 meeting.
62-7	The EC provided comments during its July 9 and August 13, 2004 meetings.
63-3	Mr. Gioia reported at the August 13, 2004 meeting that the necessary calls had been made.
63-10	Mr. Adams provided the Deliverability Study revised scope at the August 13, 2004 EC meeting.
63-12	A summary of the 2004-07 NYCA Resource Adequacy Study was provided by Mr. Adamson on August 20, 2004.

3.0 Organizational Issues

3.1 NYSRC Treasurer’s Report

i. Summary of Receipts & Disbursements - Mr. Adamson presented the Summary of Receipts and Disbursements for June 2004. He noted that a Call-For-Funds was issued on June 11, 2004 for a total of \$118,000. To date, \$20,000 has yet to be received from Nat’l Grid.

Also, the end-of-year Projection has decreased to \$30,000 under budget. Mr. Adamson further indicated that the Council's insurer, Liberty Mutual, will be auditing the books. Its particular interests are the NYSRC's last tax return (Form 9-90), the 2003 Audit Report, and invoices for consulting services. At the request of Mr. Haase, Mr. Adamson will prepare next year's budget for discussion at the September 10, 2004 meeting – **AI #64-2**.

3.2 Other Organizational Issues

- i. Subcommittee Staffing** – Mr. Raymond reported that Mr. David Dittmann has been nominated by Central Hudson for a position on the RCMS, but the subcommittees (RRS/RCMS) remain 1-2 members short particularly from the non TO sectors. Mr. Haase asked that the Executive Secretary prepare a formal written request for his signature to the Committee Membership for additional participants – **AI #64-3**. Also, the Executive Secretary was asked to provide the Committee with the current Subcommittee rosters – **AI #64-4**.
- ii. Election of Officers** – Mr. Mager reported that the current Officers have agreed to run for re-election and that no other candidates have been nominated. Mr. Haases' nomination was accepted with the understanding that he may be retiring from NYPA within the next year. Mr. Bolbrock moved that Messrs. Haase and Ellsworth be re-elected to the positions of Chairman, and Vice Chairman and Secretary for a term ending July 31, 2005. The motion was seconded by Mr. Clagett and approved unanimously by the Committee (13-0).

4.0 Key Reliability Issues

- 4.1 Energy Bill – Status** – Mr. Gioia reported that passage of either a comprehensive or partial Energy Bill this year is very unlikely, particular with what appears to be a close national election only a few months away.
- 4.2 FERC Policy Statement on Power System Reliability –**
 - i. Clarification of “Physical Differences” Requirements – Feedback** - Mr. Gioia reported that the NYSRC's comments were covered thoroughly by the Foster Report. Also, copies of the NYSRC's comments were sent to each Commissioner, FERC Senior Staff, and the newly appointed FERC Reliability Coordinator.
- 4.3 Future Role Of Regional Regional Reliability Councils** – Mr. Gioia reported that the Committee's comments were forwarded to Mr. Schwerdt on July 30, 2004. Mr. Haase thanked Messrs. Loehr and Gioia, and the Committee for their efforts in developing an excellent work product.
- 4.4 NYSRC Regional Standards/Differences Policy** – Mr. Gioia noted that the new Policy #6-0 titled, Relationship Between NYSRC Reliability Rules And The NERC Reliability Standards Development Process, was approved at the July 9, 2004 meeting. Mr. Raymond indicated that the new Policy has been posted on the NYSRC web site.
- 4.5 Responsibility for Compliance With Reliability Rules** – Mr. Gioia reported that he met on June 22, 2004 with Messrs. Clayton, Loehr, Haake and Adamson and the NYISO represented by Messrs. Schnell, Campoli, Adams, and Ms. Grisaru to discuss Mr. Gioia's May 12, 2004 memo, re: Responsibility For Compliance With Reliability Rules, which addresses the relationship of the NYSRC to the NYISO and Market Participants regarding the responsibilities for compliance with the Rules. The attendees decided not to diminish the description of the Market Participant's (MP's) responsibilities as expressed in NYSRC documents, but instead, to add provisions making it clearer that the NYISO is responsible for overseeing compliance with all Reliability Rules by the MPs. Mr. Gioia agreed to provide the group a re-draft along the lines discussed. A second meeting was held on August 9, 2004 to discuss the re-draft. Only Mr. Schnell was unable to attend. It was quickly clear

that the NYISO remained concerned about receiving a “finding of non compliance” for violations by the MPs. Further, the NYISO representatives expressed the view that the original language provides favorable leverage for the NYISO in addressing violations. However, from a contractual viewpoint, Mr. Gioia pointed out that there are not clear cut responsibilities between the NYSRC and the MPs regarding the implementation or compliance monitoring of the Reliability Rules. Further, it is his belief that the NYISO has, under its Tariff, sufficient authority to implement, monitor compliance and enforce the Rules. If additional authority should be necessary, it should be sought. It was concluded that Mr. Loehr/RCMS would review Policy No. 4-2, Procedure For Monitoring Compliance With The NYSRC Reliability Rules regarding whether changes there might help resolve the matter. Also, Messrs Loehr and Adamson will prepare a sample “Compliance Letter” for review by the attendees which could also help mitigate the NYISO concerns - **AI #64-5**. Mr. Haase asked Messrs. Gioia and Loehr to include in their investigation of responsibilities whether the authority and processes are in place to address a violation that is disputed by a MP – **AI #64-6**.

4.6 MISO Developments on Regional Reliability – Mr. Gioia noted that the FERC 2004 Summer Reliability Workshop was held on July 15, 2004 in Cleveland, OH. There has not been any feedback to date.

4.7 Regional Greenhouse Gas Initiative – Ms. Hogan reported that the NYS Stakeholders Group met on August 10, 2004 to discuss assumptions for the RGGI. She noted that neither new nuclear plants nor new coal technology in NYS would be modeled and all expected Federal and State emissions regulation will be assumed including States’ Renewable Portfolio Standards (RPS), Federal 3-P (Three Pollutant), and NYS Acid Deposition Reduction Programs. The recommendations will be available for comment by September 10, 2004. Comments must be provided by September 17, 2004 and a reference case is expected by September 24, 2004. Ms. Hogan agreed to investigate whether the assumptions and schedule are available in writing and to provide the information to the Committee, if possible – **AI #64-7**.

4.8 FERC Comments on the Role of the NYSRC Regarding Local Reliability Rules – Mr. Gioia reported that this item originated from a FERC Order on August 6, 2004 addressing transmission interconnections. In response to the Order, IPPNY raised questions regarding its applicability to local rules established by Transmission Districts. Mr. Haake indicated that the cause of IPPNY’s protest is that the District rules do not go through the same level of public scrutiny (often none) prior to becoming a requirement as do the NYISO Procedures and NYSRC Rules. In response, FERC denied IPPNY’s protest because in the FERC 1998 Order creating the NYISO it was established that Local Reliability Rules(LRRs – Reliability Rules I-R1-4) would be addressed in the same way as all other Rules. There are currently four such LRRs that could have an impact on the Bulk Power System. There are also sixty-six (66) “TO Applications of NYSRC Reliability Rules” which require NYISO approval. Also, each TO has its own Interconnection Agreements with generators which are included in the NYISO’s 715 Filing with FERC. After lengthy discussion, the Committee concluded that there may be requirements placed on Developers by the TOs that are neither LLRs nor “Applications”. Therefore, in order to resolve any confusion, which may necessitate a response to FERC, each TO was asked to provide Mr. Gioia a list of any such requirements as they pertain to transmission interconnections. Mr. Gioia will prepare a letter to the Committee defining the issue raised in the FERC Order – **AI #64-8**.

5.0 NYISO Status Report/Issues

- 5.1 Status of NYISO August 14, 2003 Blackout Investigation** – Mr. Adams indicated that the final Report is now expected to go the NYISO Board in August 2004. He agreed to forward a copy to the Executive Secretary for distribution to the Committee once it becomes available – **AI #64-9**.
- 5.2 DOE Report – NYISO Follow-up List** – Mr. Adams agreed to follow-up with Mr. Calimano regarding an update of the NYISO Blackout Follow-up List and to forward it to the Committee and RRS/RCMS together with any supplemental reports - **AI #62-6**. Mr. Haase noted that NERC has posted on its web site an update of the fourteen recommendations that it is tracking closely.
- 5.3 Verify NYISO Blackout Report Meets NYSRC Expectations** – Mr. Loehr discussed the draft report which included system restoration following the August 14, 2003 Blackout. He indicated that the restoration-related work will continue for another 1-1½ years. RCMS will prepare a written Report that should be ready for review at the October 8, 2004 Committee meeting. Mr. Haase emphasized that the Committee would like a self assessment of NYISO compliance with the Rules before, during, and after the Blackout - **AI #63-8**.
- 5.4 NYSRC Consolidated Final Blackout Report Recommendations** – Mr. Adamson reported that RRS/Adamson has reviewed and updated the consolidated status report, NYSRC Actions on Report Recommendations. Mr. Adamson noted that the sources of the information are (a) a monthly NPCC status report on the fourteen NERC recommendations, (b) NERC’s Recommendation Tracking System covering the full forty-six DOE recommendations, (c) the NYISO’s Blackout Follow-up List, and (d) RRS tracking activities. The Report includes updates of actions by both the NYSRC and others.
- 5.5 NPCC Blackout Restoration Report** – Mr. Raymond informed the Committee that on July 27, 2004 NPCC posted its Blackout Restoration Report on the NPCC web site. Mr. Haase asked that the RRS and RCMS review the Report for new and/or modified Reliability Rules – **AI #64-10**.
- 5.6 PSC Blackout Report** – Nothing new to report.
- 6.0 NYISO Status Report/Issues**
- 6.1 NYISO Reliability Criteria Study – Status** – Mr. Adams indicated that there had been no new activity since the last Committee meeting due to higher priority issues.
- 6.2 NYISO Planning Process** – Mr. Adams reported that as a result of extensive comments by the TOs, a new draft of the Initial Planning Process Study is expected in two weeks and will then go to the Electric System Planning Working Group (ESPWG) for review. Also, Mr. Adams reported that the Comprehensive Planning Process was approved by the Management Committee on June 30, 2004 and will go to the Board Of Trustees the week of August 20, 2004. Assuming approval by the Board, tariff language will be developed and filed with FERC. On August 11, 2004, the Planning Working Group met with stakeholders to begin detailing the economic planning segment of the Comprehensive Planning Process. It is hoped that agreement can be reached by year-end.
- 6.3 Studies – Status**
- i. Reactive Resource Adequacy** – Mr. Adams reported that a formal Working Group has been established, mostly of TOs, to review the methodology, incorporate empirical data to confirm the Adequacy Study results, and define the additional analysis necessary to complete the Adequacy Study.
- ii. NYSERDA/NYISO Gas Study** – Mr. Adams reported that in late July, 2004, there was a meeting with DEC to review the permitting process. The Bureau of Stationary Sources led the discussion. Mr. Ellsworth noted that (a) temporal use of allotted credits for dual fuel sources is not an issue. Surpassing the annual allotment is the concern (b) always ask for

an emergency declaration before instituting oil back-up operations, and (c) the President of NYSERDA makes the NO_x emergency declaration.

- iii. **NYSERDA/NYISO Wind Study** – Mr. Adams reported that the special wind data conversion contractor has provided General Electric all the data necessary to proceed on the Phase II Study. The draft Report is expected in December 2004 and the Final Report in January 2005.
- iv. **Electric Deliverability Study** – Mr. Adams indicated that an IITF meeting was held on August 12, 2004 to finalize the Study scope. The analysis will be done on a locality basis and will include work being done for the NYSRC regarding the relationship between local and statewide reserve requirements. The first step will be to reach agreement on a technical definition of “deliverability”. Mr. Longhi highlighted some of the discussions on this definition that occurred at the recent NERC Planning Committee meeting in Vancouver. Specifically, deliverability from a reliability perspective was viewed as the ability to simultaneously deliver generated energy to all customers at peak load and within design contingencies. Delivery beyond that capability, e.g. every, or lowest bid, generator to every customer, was viewed as economic deliverability.

6.4 Other Studies/Activities

- i. **Field Survey of Reactive Data** – Mr. Adams noted that the empirical data will be rolled into the Reactive Resource Adequacy Study – see **Item 6.3i.** above.
- ii. **First Energy Readiness Audit Results** – Mr. Haase requested that the Committee review the Report for discussion at the September 10, 2004 meeting – **AI #64-11.**

7.0 Installed Capacity Subcommittee Status Report/Issues

7.1 ICS Status Report and Discussion Issues – Mr. Dahl reported that the ICS Subcommittee met on August 2, 2004. He announced that John Beck (Con Ed – past Sec.) was stepping down and will be replaced by King Look (new Sec.) and Carlos Villalba, both from Con Ed.

7.2 Preparation for 2005-2006 Statewide IRM Study – Mr. Dahl introduced and discussed in detail a table, Preliminary Base Case Modeling Assumptions for 2005-06 NYCA IRM Requirement Study, which includes an estimate (high, medium or low) of the impact of recommended assumption changes on last years’ IRM requirements. Based on the NYISO’s white paper on DMNC Deratings, the assumptions have been changed to include a 711Mw forced outage derating. Following discussion, Mr. Bolbrock moved approval of the Base Case modeling assumptions. The motion was seconded by Mr. Clagett and unanimously approved by the Committee (13-0). Mr. Dahl further indicated that the ICS had worked out a probabilistic approach to determine an expected IRM which is based on the probability of the sensitivity cases. He acknowledged that the approach is as much art as science given the subjectivity involved in specifying the probability of each sensitivity case. He also noted that ICS intended to provide the Committee with the IRM Report and a second short report supporting a consensus IRM recommendation. Mr. Haase indicated that he wanted to complete the discussion on the IRM Report at the November 12, 2004 meeting as well as reaching an agreement on the process for balloting. The actual ballot would take place at the December 10, 2004 Committee meeting.

7.3 Review of LCR/IRM Methodology – Mr. Dahl indicated that quantification of the IRM vs. LCR (at constant LOLE) curve is nearing completion. Further, a white paper is being prepared which recommends a consensus “anchor” point. ICS expects the paper to be ready for discussion at the September 10, 2004 Executive Committee meeting.

7.4 Other ICS Issues

i. PSC Renewables Proceeding – Mr. Gioia noted that at the Committee’s request, he prepared and circulated for comment a draft Statement of Exceptions regarding the Recommended Decision issued recently by Judge Stein. The final Written Exceptions were filed on June 23, 2004 with the Commission. The filing reaffirmed that the Commission should (a) carefully review the reliability impacts and incorporate any modifications that would safeguard reliability and (b) secondly, indicate up front that the Commission will be tracking reliability impacts closely as the program progresses and will make any adjustments needed to protect reliability.

8.0 Reliability Rules Subcommittee Status Report/Issues

8.1 RRS Status Report & Discussion Issues – Mr. Adamson reported that RRS met last on August 5, 2004.

8.2 Status of New/Revised Reliability Rules

i. Proposed NYSRC Reliability Rules Revision

a. List of Potential Reliability Rules (PRR) Changes – Mr. Adamson referred to the table, List of Potential Reliability Rule Changes - Outstanding and reviewed the status of RRS actions. There has not been any action on PRRs #8 and 52. PRRs #57 through #76 (12 in total), half of which are the result of the recent changes to NPCC Document A-2, will begin coming to the Committee for review in October 2004. He noted that PRR #76, Modification of System Restoration Rules, is the direct result of the NPCC Blackout Restoration Report.

b. Status of New/Modified Reliability Rules

1. PRRs for Final EC Approval – none
2. PRRs for EC Approval to Post for Comments – none
3. PRRs for EC Discussion - none

8.3 RRS Discussion Issues – Mr. Adamson indicated that there is no activity taking place on SAR development as a result of the time demands required by Standard (000) – Version (0) Reliability Standards.

8.4 NPCC/NERC Standard Tracking -

i. NERC Standards Development – Status – Mr. Adamson reviewed the NERC Reliability Standard Development Tracking document.

- **Standard 000 – Version (0) Reliability Standards** – Mr. Adamson reported that he worked with NPCC CP-9 to review some seventy (70) Standards between July 10 and August 10, 2004. RRS endorsed the NPCC comments, which were extensive, highlighted some and provided supplemental comments on others. He noted that portions of the original Standards were not translated resulting in a weakening of the Version(000) Standards. NPCC’s comments were the most extensive of all the Regions. Common to most Regions was the belief that the 1997 Standards, that have not yet gone through field testing, should be treated as SARs. The next draft is due August 30, 2004 and comments are due within forty-five (45) days. The third version will be balloted in November or December 2004.
- **Standard 1200 – Urgent Action Cyber Security (One Year Extension)** – Mr. Adamson indicated that the Committee’s affirmative vote was registered on July 14, 2004. Over 90% approval was registered on a weighed average basis. The NERC BOT approved the one year extension on August 10, 2004.

- 9.0 Reliability Compliance and Monitoring Subcommittee Status Report/Issue**
- 9.1 RCMS Status Report & Discussion Issues** – Mr. Loehr reported that RCMS met on August 9, 2004. He noted that the NYISO is coordinating with the ISO/RTO Council (NYISO, ISO-NE, MISO, PJM, SWPP, IMO, Cal ISO, AESO and the Alberta System Operator) regarding comments on the proposed NERC Standards. The RCMS is currently reviewing the DOE and NERC Blackout Report recommendations and has not yet found a need to propose any new or modified Rules.
- 9.2 Status of NYSRC Reliability Compliance Program (NYRCP)**
- i. 2004 NYRCP Responsibilities and Milestones** – Mr. Loehr indicated that the Subcommittee began discussing four NYISO Assessments regarding Transmission Capability – Operations. The 2004-07 NYCA Resource Adequacy Report will be available for discussion at the Committee’s September meeting.
- 9.3 Review of NYISO Readiness Audit By NERC** – Mr. Loehr reported that the Subcommittee has reviewed the NERC Readiness Audit of the NYISO and has found no basis for proposing new or modified Rules. However, he noted the Audit’s emphasis on the need for additional dynamic recording devices.
- 9.4 Other RCMS Issues** – Nothing new to report.
- 10.0 Other Items**
- 10.1 Defensive Strategies** - Mr. Smith indicated that the Relay Zone 3 Assessment is expected to be delivered to NPCC in late September 2004. The TOs have found more Zone 3 issues than originally expected and some of the TOs have begun making the necessary corrections. The actual remediation must be completed by December 31, 2004. Very little has been done on Under Voltage Tripping in NYS as of yet. Mr. Adams pointed out that the NPCC Overall Transmission Review (OTR) will include Under Voltage Tripping as part of its scope. Mr. Smith also noted that the NPCC TFSS Blackout Study Plan has been approved. NPCC TFSP has been added to the Study Group. The analysis will be performed by the NPCC SS-38 Working Group. Mr. Haase and others pointed out that this forum is the appropriate place to address the more innovative blackout prevention/mitigation methods as suggested by Messrs. Smith and Loehr at prior meetings. Mr. Haase asked the Executive Secretary to investigate how to track MEN Studies and to provide the scope of the SS-38 Study (a.k.a. the TFSS Blackout Study) to the Committee – **AI #64-12**.
- 10.2 Millennium Gas Pipeline** – Mr. Gioia reported that Millennium has requested an extension for filing its Environmental Implementation Plan from July 2004 to July 2005.
- 10.3 NYISO Operating Report** – Mr. Raymond reported that the June 2004 Operating Summary showed no anomalies. There were no major emergencies, though on June 17, 2004 both Roseton Units tripped at 19:01. Shared Activation of Reserves was initiated and the NYCA ACE crossed zero at 19:05.
- 10.4 North American Energy Standards Board (NAESB) Report** – Nothing new to report.
- 10.5 NPCC Report** – Nothing additional to report. The NPCC Executive Committee meets next on September 14, 2004.

11.0 Visitor's Comments – No visitor comments were received.

12.0 Meeting Schedule

<u>Mtg. No.</u>	<u>Date</u>	<u>Location</u>	<u>Time</u>
#65	September 10, 2004	Albany Country Club, Voorheesville, NY.	9:30 A.M.
#66	October 8, 2004	Albany Country Club, Voorheesville, NY.	9:30 A.M.

The open session of Committee Meeting No. 64 was adjourned at 2:15 P.M.