

Final Minutes
New York State Reliability Council, L.L.C. (NYSRC)
Executive Committee
Meeting No. 68 – December 10, 2004
Albany Country Club, Voorheesville, NY.

Members and Alternates:

Richard J. Bolbrock	Long Island Power Authority
Curt Dahl	Long Island Power Authority – Alternate Member, ICS Chairman
Bruce B. Ellsworth	Unaffiliated Member – Chairman
William H. Clagett	Unaffiliated Member
Timothy R. Bush	Muni. & Elec. Cooperative Sector – Alternate Member
George C. Loehr	Unaffiliated Member, RCMS Chairman
Thomas J. Gentile	National Grid, USA – Vice Chairman*
Bart D. Franey	National Grid, USA
Michael B. Mager	Couch White, LLP (Retail Sector-Alternate Member)
Ralph Rufrano	New York Power Authority
George E. Smith	Unaffiliated Member
Mayer Sasson	Consolidated Edison Co. of NY, Inc.
Hank G. Masti	New York State Electric & Gas/Rochester Gas & Electric
Thomas Duffy	Central Hudson Gas & Electric
Glenn Haake, Esq.	Independent Power Producers of New York - Alternate

Others:

Alan M. Adamson	Consultant & Treasurer
John M. Adams	New York Independent System Operator (NYISO)
Liz Grisaru	New York Independent System Operator (NYISO) - Legal*
Roger E. Clayton	RRS Chairman
Paul L. Gioia, Esq.	Counsel, LeBoeuf Lamb Greene & MacRae (LLG&M)
Don Raymond	Executive Secretary
Edward C. Schrom, Jr	NYS Department of Public Service (NYDPS or PSC)

Visitors – Open Session:

Chris Hall	NYSERDA
Frank Vitale	Consultant
Richard Piwko	General Electric
Mark Younger	Slater Consulting
Steve Jeremko	New York State Electric & Gas/Rochester Gas & Electric – Phone
Joe Klimaszewski	Sithe Energy - Phone*
Howard Fromer	PSE&G - Phone*

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

Agenda Items – (Item # from Meeting Agenda)

- I. **Executive Session** – Dr. Sasson requested an Executive Session after the Open Meeting to discuss the procurement of ICAP by the NYISO.

II. **Open Session**

1.0 Introduction – Mr. Ellsworth called the NYSRC Executive Committee (Committee) Meeting No. 68 to order at 9:30 A.M. Mr. Adamson circulated a thank-you card from Ken Haase expressing his appreciation for the retirement gathering and kind words of the Committee.

Meeting Attendees - Thirteen Members and/or Alternate Members of the NYSRC Executive Committee were represented at the meeting.

1.1 Visitors – See Attendee List, page 1.

1.2 Requests for Additional Agenda Items – No requests were made.

1.3 Executive Session Topics – The Committee discussed the determination of the amount of installed capacity procured by the NYISO.

2.0 Meeting Minutes/Action Items List

2.1 Approval of Minutes for Meeting No. 67 (November 12, 2004) – The Committee offered several corrections and points of clarification. Subject to these corrections and clarifications, Mr. Bolbrock moved that the Committee approve the revised draft minutes for Meeting No. 67. The motion was seconded by Mr. Mager and approved unanimously by the Committee Members (13-0). The Executive Secretary will issue the final minutes for Meeting No. 67 and post them on the NYSRC web site – **AI #68-1**.

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>Comment</u>
62-8	Mr. Loehr reported at the November 12, 2004 Committee meeting that the NYISO Blackout Report met Committee expectations.
64-3, 67-3	Mr. Ellsworth indicated that the letters requesting additional Sub-Committee participation would be mailed by December 16, 2004.
65-8	Mr. Richard Piwko (GE) presented a status report on the NYSERDA/NYISO/GE Wind Study at the Committee’s December 10, 2004 meeting.
67-2	Mr. Gioia reported at the December 10, 2004 Committee meeting that the Insurance Advisory Group recommended that no action is warranted with respect to Marsh.
67-5	Mr. Adams e-mailed the NPCC Non Compliance Letter to the Committee on November 14, 2004.
67-7	The Committee provided comments on the Draft IRM Report on or before November 19, 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 November 2004 which indicates a projected year-end surplus of \$63,000. Also, he pointed out that the mileage rate for 2005 is 40.5¢. Further, Mr. Adamson requested Committee approval of a Call-For-Funds for the 1st quarter of 2005 due January 1, 2005. In accordance with the NYSRC 2005 Funding Mechanism, the 1st quarter assessment will include an annual membership fee of \$5000 from each affiliated member and an additional assessment of \$20,000 from each Transmission Owner (TO). Mr. Loehr seconded the Call-For-Funds which was then approved unanimously by the Committee (13 to 0). It is estimated that subsequent quarterly assessments will be \$25,000 per TO.
- ii. General Liability Insurance Premium** – Mr. Gioia reported that he had sought the advice of the Insurance Advisory Group, as requested by the Committee, regarding the continued use of Marsh as the Committee's insurance broker. The Group advised that no action is warranted for the reasons stated in the November 18, 2004 e-mail from Mr. Gioia to the Committee.

3.2 Other Organizational Issues

- i. Subcommittee Staffing** – Mr. Raymond indicated that a letter would be sent no later than December 15, 2004 (under Mr. Ellsworth's signature) to the Transmission Owners (TOs) and affiliated members not currently participating on the NYSRC Subcommittees requesting that they provide Subcommittee members.
Mr. Ellsworth, then informed the Committee of a request by Mr. Roger Clayton to continue as RRS chairman and attend Committee meetings even though he is no longer employed by Conjunction, LLC due to the failure of the Empire State Transmission Project to obtain the necessary funding. Mr. Gioia advised the Committee that Section 5.11 of the NYSRC's Operating Agreement states "The Executive Committee may assign any well qualified person as a member of a subcommittee if it concludes that participation by that person would facilitate the work of the subcommittee". After thorough discussion and in the absence of a volunteer from the Committee to chair the RRS, the Committee unanimously supported Mr. Clayton continuing as a RRS member, serving as the RRS chairman and attending Executive Committee meetings as the RRS Chairman.

4.0 Key Reliability Issues

4.1 Future Role Of Regional Reliability Councils – Feedback – Mr. Bolbrock indicated that the final report remains on schedule for year-end. The NERC Board will address the Report at its December 2004 meeting.

4.2 Responsibility for Compliance With Reliability Rules – Mr. Gioia reported that he had received an e-mail from Mr. Museler expressing concern regarding the generic "Non-Compliance Letter" approved at the October 8, 2004 Committee meeting. The Letter would be issued to the NYISO in cases where the NYISO's non-compliance with a Reliability Rule appears to be the result of the failure of a market participant to comply with NYISO procedures. Mr. Gioia reported that he had advised Mr. Museler that

the generic “Non-Compliance Letter” was adopted by the Executive Committee as a draft that would be modified as appropriate, if such a letter was needed in the future. He further advised Mr. Museler that the Executive Committee had agreed that the NYISO would have an opportunity to raise any concerns with the Executive Committee prior to issuance of such a letter. Mr. Museler, subsequently, requested a meeting with the NYSRC leadership to discuss the matter further. Mr. Ellsworth added that Mr. Buechler (NYISO) had expressed a similar interest in a meeting. Mr. Adams agreed to schedule the meeting to include Messrs. Museler, Buechler, Ellsworth, Gentile, Gioia, Loehr, and Adamson – **AI #67-4**.

4.3 Regional Greenhouse Gas Initiative – Mr. Hall reported that initial modeling results were completed on December 9, 2004 and were under review. The complexity of the analysis suggests that the release of results is some weeks away.

5.0 NYISO Status Report/Issues

5.1 Status of NYISO August 14, 2003 Blackout Investigation – Mr. Adams noted that the final Report will go to the NYISO Board for approval in December 2004. Mr. Adams will 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 indicated that Mr. Calimano will address the Follow-up List at the January 13, 2004 Committee meeting.

5.3 Verify NYISO Blackout Report Meets NYSRC Expectations – The Executive Committee reviewed at its November 12, 2004 meeting a letter from Mr. Loehr containing RCMS comments on the NYISO Blackout Report. This letter was sent to the NYISO for comment. In the letter the NYISO is requested to issue a supplement to the Report responding to the various comments. Mr. Raymond will prepare a final letter containing Executive Committee comments for Mr. Ellsworth’s signature – **AI #68-2**. Mr. Adams expects the supplement to be ready for review by RCMS and the Committee at their respective January 2005 meetings – **AI #68-3**.

5.4 NYSRC Actions on Blackout Report Recommendations – Mr. Clayton reported that RRS is working on six new PRRs (#76, 8, 73, 74, 77, and 67) which are either under development or posted for comment. The new PRRs are derived directly from Blackout Report recommendations (#19, 23, 24, 26, 28, and 29).

5.5 PSC Blackout Report – Nothing new to report.

6.0 NYISO Status Report/Issues

6.1 NYISO Reliability Criteria Study – Status – Mr. Adams indicated that the Study is in a holding pattern due to higher priority issues such as the recent focus on the Version (0) Reliability Standards.

6.2 NYISO Planning Process – Mr. Adams indicated that the Comprehensive Planning Process has been filed with FERC and is on their agenda for the week of December 12, 2004. He further reported that the Northeast RTO/ISO protocol was signed by all parties and went into effect on December 4, 2004 with the hope that the Protocol will lead to a coordinated plan for the Northeast. The initial plan, which will be issued in February 2005, will be a consolidation of sub-regional reports from which key issues for the Northeast can be identified for further coordinated study – **AI #68-4**. The Protocol also provides a framework for evaluating new interconnections and addressing overlap issues affecting the Northeast markets. In addition, Mr. Adams noted that efforts to establish a single Northeast market appear to be focused currently on more effective operation of multiple markets. Mr. Jeremko commented that with PJM’s March 1, 2005 filing with FERC of its Reliability Planning Model (RPM), the interest in a single Northeast market may well surface once again.

6.3 Studies – Status

- i. **Reactive Resource Adequacy** – Nothing new to report.
- ii. **NYSERDA/NYISO Gas Study** – Mr. Adams indicated that the kick-off meeting for the Infrastructure Analysis phase of the Study has taken place.
- iii. **NYSERDA/NYISO Wind Study** – Mr. Adams introduced Mr. Richard Piwko (GE), who gave the Committee an up-to-date presentation on the Wind Study being conducted by GE for the NYSERDA and NYISO. The final Report, including stability assessment of up to 3300Mw of wind power, is expected to be issued on March 1, 2005 – **AI #68-5**. Mr. Dave Patton, an independent advisor to the NYISO, is conducting the economic portion of the Study which is expected to be completed by January 30, 2005 – **AI #68-6**. Mr. Bolbrock noted that NERC is setting up a Wind Task Force under the auspices of the NERC Planning Committee. The Task Force will address, among other issues, the impact of wind power on reliability standards and operating practices. Mr. Adams added that FERC will issue a Wind NOPR on January 19, 2005.
- iv. **Electric Deliverability Study** – Mr. Adams indicated that the technical analysis being carried out in conjunction with GE and PowerGen was presented to the stakeholders. A draft final Report is due to IITF by December 31, 2004. The NYISO must report back to FERC by February 7, 2005 – **AI #68-7**.

6.4 Other Studies/Activities – Nothing new to report.

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 November 30, 2004 to discuss comments received after the November 12, 2004 Committee meeting and to finalize the draft 2005 Statewide IRM Requirements Study. The Subcommittee also discussed the Locational Capacity Requirements (LCR) methodology, which has been under review for nearly a year, with the expectation of reaching a consensus and presenting the conclusions to the Executive Committee in early 2005 – **AI #68-8**. Mr. Gentile asked whether the review would include the “bottled” generation issue previously raised by National Grid and others, e.g., the counter-intuitive increase in IRM when generation (Cedars) is added upstate. Following further discussion, the Committee agreed that ICS should resolve the issue prior to the next IRM Study – **AI #68-9**. Mr. Franey moved for approval of the report, New York Control Area Installed Capacity Requirements for the Time Period May 2005 Through April 2006. The motion was seconded by Mr. Smith and approved unanimously by the Committee (13 to 0).

7.2 Vote on 2005-2006 Statewide IRM Requirement – Mr. Franey offered a motion that beginning this year, the method used to establish the NYCA IRM be based on the internal unconstrained result delineated in the approved technical study report, New York Control Area Installed Capacity Requirements for the Time Period May 2005 Through April 2006. Any additional capacity required due to internal constraints would be determined by the NYISO through the LCR process. The motion was seconded by Mr. Masti. Mr. Franey expressed the view that his motion will lead to a better overall resource adequacy policy by unmasking true reliability needs, signaling for additional supplies in areas where it is most effective in meeting reliability requirements, and creating a more robust system that is better able to withstand unforeseen events while maintaining an LOLE of .1 days/year. After lengthy discussion, including the motion’s consistency, or otherwise, with the NYSRC Agreement and current Reliability Rules raised by Mr. Gioia, the Committee defeated the motion (11 to 2). Next, Mr. Bush moved that the IRM for May 2005 through April 2006 be set at 17.5%. The motion was seconded by Mr. Masti. Dr. Sasson offered an amendment to set the IRM at 18.0%. The amendment was seconded by Mr. Haake. Dr. Sasson based his amendment on the approved study report which indicated that with perfect data there remained a 50% likelihood of needing more than 17.6% IRM to maintain a LOLE of

.1days/year and further that some of the reasonable sensitivity cases pointed to an IRM in excess of 18.0%. Mr. Franey indicated that one way to increase the probability of avoiding a loss-of-load event at IRMs below 18.0% is to support a policy which encourages increased locational capacity requirements in the high risk Long Island and NYC areas. Mr. Bolbrock expressed concern regarding the number of voltage reductions in the base case for Long Island and his expectation that the planned generation additions on the Island will not be in service by July 1, 2005. Following additional discussion, the Chairman called for a vote on the amendment which was approved by the Committee with nine votes in favor and four opposed (9 to 4). Mr. Adamson then read the NYSRC Resolution which formally documents the approval of an 18.0% IRM for the period May 1, 2005 through April 30, 2006 and a letter to Mr. Museler which formally conveys the IRM Report to the NYISO. The Resolution and letter were seconded by Mr. Bolbrock and unanimously approved by the Committee (13 to 0). Mr. Adamson agreed to prepare a press release for Committee comment – **AI #68-10**. Mr. Gioia will prepare an informational filing to FERC – **AI #68-11**. The Committee expressed their appreciation for the quality work performed by the ICS under the dedicated leadership of Mr. Dahl.

7.3 Review of LCR/IRM Methodology – Mr. Dahl indicated that the white paper that recommends an ICS consensus “anchor” point for determining LCR has been delayed until early 2005.

7.4 Other ICS Issues

i. PSC Renewables Proceeding – Nothing new to report.

ii. Determining Installed Reserve Requirements – Presentation To NE-ISO – Mr. Vitale distributed the presentation that he gave to the NE-ISO. The impetus was the NE-ISO’s concern that that their IRM is more than 2.0 percentage points below that of New York. Representatives from PJM and Hydro Quebec were also in attendance. Mr. Vitale noted that the NE-ISO uses a Westinghouse multi-area model, but resolves internal transmission constraints after the fact. The NE-ISO indicated that they are currently testing the MARS model, which allows a better representation of constraints into Connecticut. The discussion of locational requirements was restrained because the issue is under investigation by FERC.

8.0 Reliability Rules Subcommittee Status Report/Issues

8.1 RRS Status Report & Discussion Issues – Mr. Clayton reported that the RRS met last on December 4, 2004.

8.2 Status of New/Revised Reliability Rules

i. Proposed NYSRC Reliability Rules Revision

a. List of Potential Reliability Rules (PRR) Changes – Mr. Clayton referred to the table, List of Potential Reliability Rule Changes - Outstanding and reviewed the status of RRS actions.

b. Status of New/Modified Reliability Rules

1. PRRs for Final EC Approval – Mr. Clayton noted that PRR’s #67, 69, 70, 71 and 75 had been posted for comments in October 2004 which were due by December 2, 2005. The only comment received was supportive input from Jim Engleson (NYISO). However, Mr. Gioia raised a concern regarding PRR #69. Mr. Clagett then moved the approval of PRRs # 67, 70, 71, and 75. The motion was seconded by Mr. Loehr and approved unanimously by the Committee. The changes offered by Mr. Gioia to PRR# 69 are related to whether the NYISO is in non-compliance when a Market Participant violates the Reliability Rules. He emphasized that the PRR should be consistent with the Non-Compliance Letter recently approved by the Committee. Mr. Loehr and others felt that the intent of Mr. Gioia’s changes should be incorporated, but through different wording.

The Committee agreed to table the matter until the next meeting with the understanding that Messrs. Loehr, Gioia and Adamson would work together to resolve the wording issue – **AI #68-12**. Further, the Committee urged that Messrs. Ellsworth, Gentile, Gioia, Loehr, and Adamson meet with Mr. Museler to discuss the NYISO’s concerns regarding the draft Non-Compliance Letter - **AI #68-13**.

2. PRRs for EC Approval to Post for Comments – Mr. Clayton indicated that since the discussion of PRR #68 at the November 12, 2004 Committee meeting, issues have arisen from the Wholesale Sales Sector. Messrs. Haake, Younger, Fromer (PSEG-phone) indicated that there are many dual fuel generators in NYS, but none have an obligation to fuel switch. As written, PRR #68 would place a burdensome testing requirement on them for an obligation they do not currently have and which is not currently compensated under the NYISO Tariff. The Committee discussed the concerns and agreed to refer the PRR back to RRS for re-consideration. Mr. Haake agreed to provide their complete list of comments to RRS prior to the Subcommittee’s next meeting – **AI #68-14**.

3. PRRs for EC Discussion – None

8.3 NPCC/NERC Standard Tracking -

i. NERC Standards Development – Status – Mr. Adamson reviewed the NERC Reliability Standard Development Tracking document. He noted that Standard (500), Transmission Planning, has been authorized for drafting, the NERC Process Manual changes were approved, and comments on six new SARs are due January 7, 2005.

- **Standard 000 – Version (0) Reliability Standards** – Mr. Adamson reported that balloting on the proposed Standard will close on December 13, 2004. There will be a conference call on December 16, 2004 to discuss the comments received. A re-circulation ballot is required between December 19, 2004 and January 7, 2005 if any negative votes are received. Assuming passage, the NERC Board will adopt the Standard at its February 8, 2005 meeting and it will become effective on April 1, 2005. NPCC CP-9 recommends an affirmative vote. The “show stoppers” appearing in the Executive Committee’s comments on earlier drafts of Version (0) have been largely satisfied. Mr. Adamson further indicated that RRS and RCMS recommend a “yes” vote with comments; (a) IROL limits, (b) recognition that sub-regions may have more stringent criteria, and (c) the use of “letters” versus monetary sanctions. Mr. Loehr moved that the Committee vote to adopt the Standard. The motion was seconded by Mr. Bolbrock and approved by the Committee with twelve affirmative votes and one abstention.

9.0 Reliability Compliance and Monitoring Subcommittee Status Report/Issues

9.1 RCMS Status Report & Discussion Issues – Mr. Loehr reported that RCMS met on December 9, 2004.

9.2 Status of NYSRC Reliability Compliance Program (NYRCP)

i. 2004 NYRCP Responsibilities and Milestones – Mr. Loehr indicated that RCMS has completed the 2004 NYRCP with the exception of three items that are on hold; two will be completed by the end of 2004 and the other could extend into February 2005.

9.3 Other RCMS Issues – Mr. Loehr provided a proposed list of measurements and responsibilities for the 2005 NYRCP. The Committee was asked to provide Mr. Loehr with comments by January 5, 2005.

10.0 Other Items

10.1 Defensive Strategies - Mr. Loehr indicated the joint “white paper” (Loehr, Smith, and Clagett) on Defensive Strategies will focus on separation before and after a contingency. The purpose is to identify

the most plausible strategies would be deserving of further serious examination. Completion is expected in February 2005 – **AI #67-11**.

10.2 Millennium Gas Pipeline – Nothing new to report.

10.3 NYISO Operating Report – Mr. Raymond reported that the November 2004 Operating Summary will be e-mailed shortly.

10.4 North American Energy Standards Board (NAESB) Report – Nothing new to report.

10.5 NPCC Report – Nothing new to report.

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>
#69	January 13, 2005	The DESMOND, 660 Albany-Shaker Rd., Albany, NY. (“26 High Street” Room)	9:30 A.M.
#70	February 11, 2005	Albany Country Club, Voorheesville, NY.	9:30 A.M.

The open session of Committee Meeting No. 68 was adjourned at 3:50 P.M.