

Minutes
New York State Reliability Council, L.L.C. (“NYSRC”)
Executive Committee
Meeting No. 44 – December 13, 2002
Albany Country Club – Voorheesville, NY

Members and Alternates:

Richard J. Bolbrock	Long Island Power Authority (“LIPA”)
William H. Cagett	Unaffiliated Member – Chairman
Roger E. Clayton	Wholesale Seller's Sector; PG&E National Energy Group
Mark J. Cordeiro	Muni. & Elec. Cooperative Sector; PLM, Inc
Curt Dahl	KeySpan Energy – LIPA – Alternate
Bruce B. Ellsworth	Unaffiliated Member
Joseph C. Fleury	New York State Electric & Gas Corp. – Secretary
H. Kenneth Haase	New York Power Authority (“NYPA”) – Vice Chairman
Michael P. Hogan	Central Hudson Gas & Electric – Alternate
George C. Loehr	Unaffiliated Member
Michael B. Mager	Large Consumer’s Sector; Couch, White, LLP – Alternate
Mayer Sasson	Consolidated Edison Co. of NY, Inc. – Alternate
Herbert Schrayshuen	National Grid, USA – Alternate
George E. Smith	Unaffiliated Member

Others:

John M. Adams	New York Independent Systems Operator (“NYISO”)
Alan M. Adamson	Consultant & Treasurer
Paul L. Gioia	LeBoeuf Lamb Green & MacRae (“LLG&M”)
Edward C. Schrom, Jr.	NYS Department of Public Service (“NY DPS” or “PSC”)

Visitors – Open Session:

Erin P. Hogan, P.E.*	NYSERDA – Energy Analysis
Bart Franey*	National Grid, USA – by phone
Pat Hogan*	LIPA – 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. Open Session

1.0 Introduction

1.1 Meeting Attendees – All thirteen (13) Members/Alternate Members of the NYSRC Executive Committee (“Committee”) were represented at the meeting.

1.2 Requests for Additional Agenda Items – The Committee reviewed and approved the agenda with two (2) additional items covered under Items 3.2 i. and 4.3 ii.

2.0 Meeting Minutes/Action Items List

2.1 Approval of Minutes for Meeting No. 43 (November 8, 2002) – After brief discussion by the Committee, it was moved (Mr. Clayton) and seconded (Mr. Smith) that the Committee approve the Revised Draft Minutes for Meeting No. 43 as modified. The motion was approved unanimously by the Committee Members in attendance (13 to 0). The Secretary shall issue the final minutes for Meeting No. 43 and post them on the NYSRC web site – **AI #44-1**.

2.2 Action Items List – The Committee reviewed the Outstanding Action Items List and discussed the items under their respective Agenda Items below.

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 November 2002 Summary of Receipts and Disbursements, noting that as of December 4, 2002, the NYSRC has a cash balance of approximately \$107,000. The year-end cash balance is estimated to be approximately \$75,000.
- ii. 2003 Cash Flow/Call for Funds** – Mr. Adamson reviewed the 2003 Monthly Cash Flow Estimate based on the approved 2003 NYSRC Budget and 2003 Funding Mechanism. Mr. Adamson recommended a Call for Funds due on January 2, 2003 to cover: (1) a \$5,000 membership fee assessed to each of the nine (9) Affiliated Members, and (2) the 1st Quarter assessment of \$20,000 to each of the six (6) Transmission Owners. After brief discussion by the Committee, it was moved (Mr. Ellsworth) and seconded (Mr. Bolbrock) that the Committee approve the recommended Call for Funds. The motion was approved unanimously by the Committee Members in attendance (13 to 0). Mr. Adamson shall issue the Call for Funds for the first quarter of 2003 – **AI #44-2**.
- iii. Accounting Services Contract – Engagement Letters** – Mr. Gioia reviewed draft Letters of Engagement from Urbach Kahn & Werlin LLP (“UK&W”) covering: (1) financial auditing services to be performed for 2002; and (2) accounting and tax services to be performed in 2003. The Committee discussed evaluating other accounting service contractors and concerns with having the same contractor performing all accounting and tax services, as well as the financial auditing services. Following the discussion, it was moved (Mr. Ellsworth) and seconded (Mr. Clayton) that the Committee: (1) approve both Letters of Engagement, contracting UK&W to provide both accounting and tax services in 2003 and financial auditing services for 2002; (2) review the charges incurred for accounting services in 2003 to ensure that these charges are reasonable; and (3) investigate whether a separate contractor is required to provide financial auditing services, including obtaining a letter from UK&W providing assurance that the financial auditing services are provided by a separate part of the UK&W organization than the accounting services. The motion was approved unanimously by the Committee Members in attendance (13 to 0).

3.2 Other Organizational Issues – Director’s & Officer’s (“D&O”) Insurance Coverage
– During the discussion of the 2003 Cash Flow Estimate, Mr. Gioia informed the Committee that an application was received from AEGIS to renew the NYSRC’s D&O insurance coverage. Marsh, the insurance consultant informed Mr. Gioia that the D&O insurance premium is expected to increase by 100% over the current premium. This would impact the NYSRC’s 2003 budget, cash flow and assessments. The Committee agreed to hold off taking any action on this until the quote is received from AEGIS. Mr. Gioia has completed and will submit the renewal application to AEGIS.

4.0 Reliability Rules Subcommittee Status Report/Issues

4.1 Subcommittee Status Report & Discussion Items – Mr. Clayton reported that the Reliability Rules Subcommittee (“RRS”) met on December 5, 2002. The next RRS meeting is scheduled for January 7, 2003.

4.2 Status of New/Revised Reliability Rules

i. Proposed NYSRC Reliability Rule Revisions

a. List of Potential Reliability Rule Changes – Mr. Clayton reviewed the current List of Potential Reliability Rules Changes, briefly reviewing the status of PRRs #8, 46, 50, 52, 55, 56 and 57. PRR #57 was reviewed by RCMS and returned to RRS for revision.

b. Status of New/Modified Reliability Rules

1. PRRs for Final EC Approval: None.

2. PRRs for EC Approval to Post for Comments: – Mr. Clayton discussed PRRs #29 and #58 and moved that both be approved by the Committee for posting on the web site for review and comments. Both motions were seconded (by Messrs. Sasson and Haase, respectively) and were unanimously approved by the Committee Members in attendance (12 to 0, 1 absent). These rule templates relate to the planning and system data-requirements aspects, respectively, of fault current assessment. The Secretary shall post these PRRs on the web site for the 45 day comment period – **AI #44-3**.

c. NPCC & NERC Criteria Tracking Program – Mr. Clayton reported that RRS continues to monitor all NERC and NPCC proposed document revisions. NPCC document A-2 is currently being reviewed. After brief discussion by the Committee, it was moved (Mr. Sasson) and seconded (Mr. Loehr) that the Committee authorize the RRS and RCMS to prepare and submit comments on A-2 by the due date of January 2, 2003. The motion was approved unanimously by the Committee Members in attendance (12 to 0, 1 absent).

4.3 Other RRS Issues

i. Multiple Utilities on Same ROW – As was reported at the October meeting, Mr. Eng will refer this proposed rule to NPCC for implementation. **AI #40-4** will be closed out.

ii. NPCC Document A-6 – Mr. Sasson reported that NPCC Document A-6 has been approved with major revisions to the requirement to replenish reserves. At the NYISO System Operations Advisory Subcommittee (“SOAS”) meeting, Mr.

Calimano stated that the NYISO intends to continue operating under the current, more stringent NYSRC Reliability Rule requirements. The RRS shall review the revised NPCC document A-6. The Committee requested Mr. Adams to invite Mr. Calimano to the next meeting to discuss this issue.

5.0 Installed Capacity Subcommittee Status Report/Issues

5.1 ICS Status Report & Discussion Issues – Mr. Dahl reported that the Installed Capacity Subcommittee (“ICS”) has been meeting regularly to review study results and prepare a final draft of the 2003-2004 NYCA ICR report.

5.2 2003–04 NYCA Installed Capacity Requirement Technical Study Draft Report – Mr. Dahl reported on the status of 2003-04 Statewide installed reserve margin (“IRM”) study and final report. Mr. Dahl noted that work is still in progress to finalize the study results to be presented in the final report. Mr. Dahl noted that problems were discovered during the running of sensitivity cases, which has delayed the completion of study results and the final report. The sensitivity runs unmasked some problems with the MARS model being used. The first problem with the sensitivity results was for the NYCA isolated from the outside world case. The results were in the area of 40% IRM requirement which were not in line with previous years results requiring 26-28% IRM. This uncovered a modeling error on two large hydro units (St. Lawrence and Niagara). Once this modeling error was corrected, another error surfaced in the interconnected base case. The external areas were providing too much assistance to the NYCA. The new external NYCA representation came from the updated NPCC CP-8 database, which caused an unrealistic amount of emergency assistance to be available. Based on this, the ICS has decided to go with last year’s representation of the external world. Mr. Dahl responded to several questions and comments raised by the Committee. A final draft report will be transmitted to the Committee by January 3, 2003, for review and approval at its next meeting on January 10, 2003 – continuation of **AI #43-6**. The Committee requested that updates on the study results be issued by Mr. Dahl as they become available. A final decision is required by January 15, 2003.

Mr. Dahl recommended that an independent investigation be completed in early 2003 of what fine tuning is required to use the CP-8 database in the 2004-05 Statewide IRM Study. Mr. Bolbrock also raised the issue of Committee Members having access to the data used to determine the Statewide IRM. The Committee agreed to discuss this issue and lessons learned from this years IRM study at the February Committee meeting.

6.0 Reliability Compliance Monitoring Subcommittee Status/Issues

6.1 RCMS Status Report & Discussion Issues – Mr. Loehr reported that the Reliability Compliance Monitoring Subcommittee (“RCMS”) last met on December 12. He reviewed the RCMS discussion topics. RCMS is scheduled to meet again on January 9, 2003. Mr. Loehr noted that Mr. Campoli of the NYISO suggested that the NYSRC monitor the PJM expansion to the West. Mr. Clayton agreed that the RRS should monitor this activity.

6.2 Status of NYSRC Reliability Compliance Program (“NYRCP”)

- i. 2002 NYRCP Responsibilities & Milestones (“Scorecard”)** – Mr. Loehr briefly summarized the 2002 Responsibilities & Milestones document, which includes scheduled completion dates for all assessments and designated compliance levels.
- ii. 2002 NYRCP Assessments** – Mr. Loehr reported that all 2002 assessments were completed with three (3) areas of non-compliance in 2002. The final 2002 Scorecard will show the completion of all 2002 assessments. A brief report summarizing the 2002 NYRCP will be prepared and submitted to the Committee.

6.3 Other RCMS Issues

- i. 2002 NYSRC Compliance Review Program** – Mr. Loehr reported that, in accordance with Policy 4, RCMS has prepared a draft 2003 Compliance Review Program and will submit the program to the Committee at either the January or February meeting.
- ii. Fault Current Assessment PRR Templates** – RCMS reviewed the draft PRRs #29, #57, and #58 prepared by RRS. Compliance elements for PRRs #29 and #58 were prepared by RCMS and comments on PRR #57 were provided to RRS. (See Agenda Item 4.2 i. a & b.).

7.0 NYISO Studies – Reports were presented by Mr. Adams on the following studies and issues:

7.1 NYISO Transmission Reliability Study – There was nothing new to report.

7.2 Reactive Resource Adequacy Study – Mr. Loehr reported that the RCMS has confirmed that all generators are now in compliance with NYISO reactive power verification test requirements – **AI #40-11**.

7.3 NYSERDA/NYISO Gas Study – There was nothing new to report.

7.4 NYSRC Report at NYISO Operating Committee Meetings – Mr. Adams reported that a request was made by Mr. Liam Baker for a more detailed report of NYSRC activities at NYISO Operating Committee meetings. Currently Mr. Schrom provides a brief report at these meetings. Mr. Adams to check further into this request.

8.0 Other Items

8.1 Millennium Gas Pipeline Proceeding – Mr. Gioia reported that the Department of Commerce is taking comments on Millennium’s appeal and FERC has already submitted comments.

8.2 Reliability Legislation Update – Mr. Gioia reported that with the Republicans heading up both the House and Senate, the energy legislation could pass during the next session of Congress. The NYSRC, through LLG&M, could meet with or send letters to New York representatives to discuss this legislation and the importance to maintain the NYSRC within the legislation. The Committee requested Mr. Gioia to have LLG&M review the draft legislation and identify any text that could impact the NYSRC, for the next meeting – **AI #44-4**.

- 8.3 NYISO Operations Report** – The Secretary distributed an updated summary through November 2002. In addition, Mr. Pat Hogan of LIPA presented a report to the Committee on three (3) operating concerns – (1) misuse of contingency reserve for regulating reserve; (2) inadequate emergency response; and (3) increased operation of the NYS system outside of the Normal State. Mr. Hogan noted that these concerns have been raised at the NYISO Operating Committee and SOAS, and that he is concerned with the lack of response by the NYISO. Mr. Clayton noted that the RRS is monitoring NYISO operations and will determine if a reliability rule is needed. Mr. Clagett requested that Mr. Calimano of the NYISO attend the next meeting to discuss the concerns raised and what is being done by the NYISO to address these concerns.
- 8.4 North American Energy Standards Board (NAESB) Report** – Mr. Ellsworth reported on the latest NAESB activities, noting that NAESB and NERC executed a Memorandum of Understanding.
- 8.5 FERC SMD NOPR** – Mr. Gioia reported that the NYSRC filed preliminary comments at FERC on November 15, 2002 in the SMD NOPR proceeding. Draft NYSRC comments on the FERC Resource Adequacy proposal were prepared and submitted to the Committee for comments. Comments were received from Con Edison, NYSEG and Mr. Museler. Mr. Gioia requested that the Committee review the draft and submit comments by December 18, 2002. A revised draft will be sent out and comments will be solicited so that the NYSRC filing can be completed and filed by January 10, 2003 – **AI #44-5**.
- 8.6 NYSRC Progress Report** – Mr. Adamson reported that a draft NYSRC Progress Report was submitted to the Committee for comments. Comments are requested from the Committee by December 31, 2002 – **AI #44-6**. The Committee discussed and agreed to produce an NYSRC Annual Report in conjunction with the Progress Report.
- 8.7 Northeast RTO** – Mr. Gioia reported that the NYISO and ISO-NE withdrew their proposal for a Northeast RTO at FERC. The NYISO will now focus on the real-time system to improve the market, along with resolving the seams issues.

9.0 Visitor Comments

No visitors were present at the end of the meeting.

10.0 Meeting Schedule

<u>Mtg. No.</u>	<u>Date</u>	<u>Location</u>	<u>Time</u>
#45	January 10, 2003	NYISO Washington Ave. Extension Offices, Albany, NY	9:30 A.M.
#46	Feb. 14, 2003	Albany Country Club, Voorheesville, NY	9:30 A.M.
#47	March 13, 2003	Albany Country Club, Voorheesville, NY	9:30 A.M.

The Open Session of Committee Meeting No. 44 was adjourned at 2:20 P.M.

Completed By: J.C. Fleury – Secretary
 Final Issue Date: January 11, 2003