

Final Minutes
New York State Reliability Council, L.L.C. (NYSRC)
Executive Committee
Meeting No. 58 – February 13, 2004
Albany Country Club, Voorheesville, NY

Members and Alternates:

Richard J. Bolbrock	Long Island Power Authority (LIPA)
Bruce B. Ellsworth	Unaffiliated Member – Vice Chair. (Phone)*
William H. Clagett	Unaffiliated Member (Acting Chair)
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) (Phone)
George C. Loehr	Unaffiliated Member & RCMS Chairman
Robert M. Loughney	Large Consumer’s Sector; Couch, White, LLP (Phone)*
Curt Dahl	LIPA – Alternate Member – ICS Chairman
A. Ralph Rufrano	New York Power Authority – Alternate Member (Phone)
Mayer Sasson	Consolidated Edison Co. of NY, Inc.
Thomas J. Gentile	National Grid, USA
H. Kenneth Haase	New York Power Authority*
George E. Smith	Unaffiliated Member (Phone)

Others:

John M. Adams	New York Independent System Operator (NYISO)*
Robert Waldele	New York Independent System Operator (NYISO)*
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.	NYSERDA
Mark Sanford	General Electric Energy

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

Agenda Items – (Item # from Meeting Agenda)

I. Executive Session – No Executive Session was held.

II. Open Session

1.0 Introduction – Mr. Clagett, substituting for Messrs. Haase (Chair) and Ellsworth (Vice- Chair), called the NYSRC Executive Committee (Committee) Meeting No. 58 to order at 9:35 A.M.

Meeting Attendees - Twelve Members and/or Alternate Members of the NYSRC Executive Committee were represented at the meeting. Messrs. Ellsworth, Smith, Loughney, and Rufrano were not in attendance; however, they were conferenced in. Mr. Haase arrived at about 2:30 P.M. and assumed the Chairman's duties from Mr. Clagett at that time. The Wholesale Seller's Sector was not represented at the meeting.

1.1 Visitors – See Attendees List, page 1.

1.2 Requests for Additional Agenda Items – There were no additional items requested.

1.3 Executive Session Topics – No session was held.

2.0 Meeting Minutes/Action Items List

2.1 Approval of Minutes for Meeting No. 57 (February 13, 2004) –The Committee offered several points of clarification. Subject to these clarifications, Mr. Ellsworth moved that the Committee approve the revised draft minutes for Meeting No. 57. The motion was seconded by Mr. Smith and approved unanimously by the Committee Members in attendance (12-0). The Executive Secretary will issue the final minutes for Meeting No. 57 and post them on the NYSRC web site – **AI #58-1**.

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>
54-13	The non-confidential MARS data was posted on the NYSRC web site on February 18, 2004.
56-6	Mr. Gioia provided an “Issues Paper” regarding the Federal Energy Bill on February 11, 2004.
57-2	Letters were sent by the NYISO to those generators on the Black Start List.
57-6	Mr. Gioia provided a draft letter on Regional Differences and Regional Standards on February 10, 2004.
57-11	RRS carried out the requested review during its February 10, 2004 meeting. No changes were necessary.

3.0 Organizational Issues

3.1 NYSRC Treasurer's Report

i. Summary of Receipts & Disbursements – Mr. Adamson presented the Summary of Receipts and Disbursements, noting that the Call-For-Funds issued for the 1st quarter of 2004(due January 1, 2004) was complete.

ii. Audit for 2003 – Mr. Adamson indicated that the calendar year 2003 audit is progressing under the leadership of Mr. Michael Ryan of the firm Slocum, DeAngelus & Associates in Albany N.Y. All affiliated Committee Members have responded to Mr. Ryan's letter requesting a summary

of the funding provided to the NYSRC in 2003 by their organizations. Also, Mr. Gioia, Trustco, and Ms. Campoli have provided litigation and claims information against the NYSRC (none), bank records, and financial records, respectively. Ms. Campoli and Mr. Adamson reviewed Policy #3, Accounting Procedures, invoices and required receipts with Mr. Ryan. Mr. Ryan is preparing a Financial Statement and IRS Form 990(tax exempt filing) for 2003. He expects to complete the audit by the Committees next meeting, March 12, 2004 – **AI #58-2**.

3.2 Other Organizational Issues

- i. **Directors and Officers (D&O) Policy** – Mr. Gioia reported that the Committee’s D&O Policy is up for renewal on April 6, 2004. He anticipates a rate increase of 10-15% from preliminary discussion with Marsh (Marsh & McLennan). Also, the general liability coverage with Liberty Mutual will come due on June 2004. Liberty Mutual has provided notice that it will no longer write policies with premiums of less than \$100,000. Marsh has undertaken to place the policy with another insurer.
- ii. **Filings** – Mr. Gioia indicated that two filings were made with FERC on behalf of the NYSRC in January 2004: (a) Comments of the New York State Reliability Council(January 16, 2004) in Docket RM04-2-000, Rules Concerning Certification of an Electric Reliability Organization and the Establishment, Approval, and Enforcement of Electric Reliability Standards and (b) the New York State Reliability Council Informational Filing Regarding the 2004-2005 Installed Capacity Requirements for the New York Control Area dated January 16, 2004.

4.0 Reliability Legislation

4.1 **Energy Legislation – Position/Issues Paper** - Mr. Gioia summarized his February 10, 2004 correspondence to the NYSRC Executive Committee titled, Federal Legislation. Its purpose is to highlight aspects of the pending legislation affecting the NYSRC either positively or negatively in order that the Committee could make an informed decision whether to take a more active stance on the proposed Bill as it stood prior to the failed vote on cloture. He indicated that the situation is fluid with both parties offering stripped down, Electric Reliability only, legislation, in particular, NYS’s Senator Clinton. It would not be unreasonable to expect passage of such focused legislation at any time. Mr. Gioia further advised that the electric reliability component of the proposed bill that was before the Senate required relatively minor adjustments to meet the Committee’s needs. He offered the following recommendations:

- **Regional Entities** – The legislation should grandfather current reliability entities. In the alternative, the presumption in favor of the delegation of authority of a regional entity organized on an interconnected-wide basis should be retained to include all existing regional reliability entities.
- **Regional Standards** – The legislation should similarly grandfather reliability standards promulgated by current reliability entities. Alternatively, the presumption in favor of reliability standards proposed by regional entities organized on an interconnected-wide basis should be retained to include all existing regional reliability entities.
- **Governance** – It should be clear that the NYSRC’s governance structure is consistent with FERC requirements for a regional entity.
- **Conflicts With Existing Standards** – The provision relating to the resolution of conflicts between an ERO standard and a FERC order, tariff, rule or agreement should be retained.

- **State Savings Clause** – The state savings provision should be retained and the legislation should state that a reliability standard adopted by a state authority that is more stringent than an ERO standard is not “inconsistent” with the ERO standard. The language authorizing New York State to adopt more stringent standards is less preferable to the foregoing.

Following lengthy discussion of the issues affecting New York State and the NYSRC and the apparent urgency to have the Committee’s concerns understood by the lawmakers, the Committee asked Mr. Gioia to prepare a letter based on his assessment and the Committee’s comments that could be sent to the NYS Congressional Delegation, Governor, PSC, FERC, EEI, and perhaps others – **AI #58-3**.

- 4.2 NERC Action – Strengthen Reliability Compliance Program** – This item was tabled to the March 12, 2004 meeting.
- 4.3 Comments on US/Canadian Joint Blackout Investigation** – Dr. Sasson indicated that the Blackout Investigation Task Force’s final report will be issued in early March 2004. The report will focus on identifying the causes of the incident and providing recommendations on actions to minimize the probability of future blackouts.
- 4.4 MISO Information Report on Regional Reliability** – The Committee expressed some concern regarding the MISO’s response to FERC pursuant to their Order directing the Midwest ISO to provide an informational filing on progress in the area of reliability within three months from the date of the Order. Mr. Gioia noted that greater detail on the “Reliability Enhancement Plan” referenced in the informational filing can found at the Midwest ISO’s web site, www.midwestiso.org. The Committee will continue to track this item – **AI #58-4**.

5.0 NYISO Status Report/Issues

- 5.1 Status of NYISO August 14, 2003 Blackout Investigation** – Mr. Adams reported that NERC, as part of its efforts to strengthen their compliance program, will be auditing the largest twenty(20) Control Areas. The NYISO audit is scheduled for the 2nd week in April 2004 to be followed a week later by the ISO-NE audit. The IMO audit precedes New York. This NERC action is one of fourteen(14) recommendations approved on February 10, 2004 to Prevent And Mitigate the Impacts of Future Cascading Blackouts. Mr. Haase asked the Executive Secretary to provide the recommendations to RRS and RCMS and ask the Subcommittees for their thoughts regarding potential actions that should be taken within New York State – **AI #58-5**.
- 5.2 NYISO Strategic Plan** – Mr. Gioia reminded the Committee that he had sent a memorandum to the NYISO on January 6, 2004 expressing the Committee’s comments on the NYISO’s draft Strategic Plan. By letter to the Committee dated January 28, 2004, Re: NYISO Strategic Plan, Mr. Gioia indicated that the final Strategic Plan reflects most of the Committee’s comments.
- 5.3 NYISO Planning Process** – Mr. Adams reported that the Planning Process Working Group had decided to focus its attention initially on “Reliability Upgrades” and “Cost Allocation” which are components of the overall NYISO Strategic Plan. Mr. Smith noted that ISO-NE already has a planning process in place that meets FERC requirements. Others, particularly Mr. Loehr, reflected on the very successful inter-regional planning protocols that exist through NPCC and the MEN Study Groups. Mr. Adams agreed to forward the proposed “Protocol Document” for inter-regional coordination of planning to the Committee for comment. He emphasized that the document is meant to formalize current practices as required by FERC. Mr. Adams would like to receive the comments by the end of February 2004 – **AI #58-6**.

5.4 Studies – Status

- i **LSE and Locational Capacity Requirements** – Mr. Adams reported that the study is complete and was posted on the NYISO on February 13, 2004. The results, which will be recommended to the NYISO Operating Committee next week, call for 80% and 99% for New York City and Long Island, respectively. These results are predicated on the cross-sound tie between New England and Long Island being represented for modeling purposes as a tie that is capable of providing statewide emergency assistance. Relative to prior years, the results are also affected by a change in the outage rates on the Long Island cables and changes in the load shape model. Once the tie owners apply for and receive capacity status, the model will be reviewed and updated. Mr. Dahl added that the methodology for determining locational requirements will be carefully reviewed by the NYISO and ICS to assure that appropriate continuity and integration exists between the IRM and Locational Capacity Requirements studies. Mr. Dahl expects a scope for the review will be available by the Committee’s March 12, 2004 meeting - **AI #58-7.**
- ii. **Transmission Reliability Study** – Mr. Adams reported that the Annual Transmission Review by RCMS was completed on February 11, 2004. The preliminary finding of instability for loss of the Niagara Ties was further studied indicating that the system was stable when the power system stabilizers at Sithe Independence Project are in service. The Sithe facility was modeled as being off-line due to a large amount of new generation downstate. After further discussion of Extreme Contingencies(ECs) and at the request of Dr. Sasson, the Committee asked RCMS to revisit the requirements for ECs in general and, in particular, the risk to the bulk power system of the Sithe Independence being off line – **AI #58-8.**
- iii. **Reactive Resource Adequacy** – Mr. Adams reported that the study is in draft form. The results suggest inadequate reactive support on the underlying system in some zones based on the criteria used. However, Mr. Gentile indicated that the study and its underlying criteria for reactive resource adequacy needs further technical review. Mr. Adamson advised the Committee that RRS is investigating reactive support criteria under PRR #8.
- iv. **NYSERDA/NYISO Gas Study** – Ms. Hogan indicated that the scope of the gas reliability study was presented to market participants at a January 2004 meeting. Comments were minimal leaving the PSC, for all practical purposes, in control of the study.
- v. **NYSERDA/NYISO Wind Study** – Mr. Adams reported that Phase I is complete and posted on the NYISO web site. Comments, including those received at a conference attended by Messrs. Dahl and Gioia in New York City on January 14, 2004, are being incorporated into the scope of Phase II. A technical session is to be held on March 8, 2004 on Phase I as part of the PSC Renewables Proceeding.
- vi. **Other Studies/Activities** – Mr. Adams advised the Committee that FERC had approved the NYISO RTS filing subject to several changes. Most significantly, FERC wants the NYISO to accommodate “price chasing” by generators.

6.0 Reliability Rules Subcommittee Status Report/Issues

6.1 RRS Status Report & Discussion Issues – Mr. Adamson gave the RRS report as Mr. Clayton was out of the country.

6.2 Status of New/Revised Reliability Rules

i. Proposed NYSRC Reliability Rules Revision

a. List of Potential Reliability Rules (PRR) Changes – Mr. Adamson updated the Committee on the status of the following PRR Changes:

<u>PRR#</u>	<u>Status</u>
8	A draft report was presented by Mr. K. Lehman(NYISO) to RRS. Once the operating study is complete, RRS will develop appropriate proposed reliability rules.
52	Nothing new to report.
59	Mr. Adams attended the last RRS meeting and withdrew the NYISO request to relax the Operating Reserve restoration time from to 30 to 105 minutes.
66	Approved by the Committee on January 9, 2004 and will be incorporated into the next version of the Rules Manual.
67	RRS is conferring with the NYISO to introduce more specificity to reference NPCC A-3 testing requirements.

Regarding PRR# 8, Dr. Sasson expressed the view that with the draft report in hand and the attention to reactive support noted in the interim Blackout Report, the information and impetus exists for RRS to identify potential reliability rules. Mr. Rufrano, while agreeing that rule identification could begin, cautioned that the methodology under which the reactive study was done needs to be looked at further. The Committee asked Mr. Adamson to carry back to RRS its wish to have the reactive support investigation proceed as quickly as possible with due recognition to issues regarding methodology – **AI #58-9**. Dr. Sasson referred to a NYISO recent document on generation with alternate fuels not being able to switch from gas to the alternate fuel. He suggested that RRS examine whether this potential reliability risk warrants a new or modified NYSRC reliability rule. Mr. Adams agreed to circulate this document to the Committee – **AI #58-10**.

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

6.3 Other RRS Issues

i. NPCC/NERC Criteria Tracking

- a. **NYSRC Regional Differences Letter** – The Committee universally lauded Mr. Gioia for preparing a clear and concise statement regarding the relationship between the NERC SARs process and the promulgation of reliability standards by the NYSRC. The Committee then proceeded to discuss the strategic aspects of disseminating its interpretation. Mr. Clagett expressed concern regarding a letter to NERC on a matter which is critical to the NYSRC, when we do not know the form the response will take. Also, a letter could be easily misrepresented as a “request” rather than a “statement of principle”. Dr. Sasson felt that a letter was necessary to establish any differences of viewpoint with NERC and to reach resolution. Mr. Gentile reminded the Committee that the prime objective is clarity of understanding by many parties, including the New York State Congressional Delegation, PSC, NPCC and NERC. He recommended, therefore, that a “single source” document or statement of principle be established that could be easily referenced whenever the need arose. Mr. Fleury and others suggested a resolution

placed on the web site, announced on the NYISO Tie Line, and accompanied by e-mail/letters to the Congressional Delegation (and others) and a timely press release. In the absence of both the Committee's Chair and Vice-Chair, the Committee decided to ask Mr. Gioia to prepare a Statement of Principle (or Resolution) for posting on the NYSRC web site. The method of announcement can be resolved once the resolution is in hand – **AI #58-11.**

b. NERC Standards Transition – Status – Mr. Adamson introduced a RRS document, NERC Reliability Standard Development Tracking. He was asked by the Committee to provide the summary monthly with changes clearly delineated – **AI #58-12.**

- **Standard 200 – Operating Within Limits** - Mr. Adamson reminded the Committee of its NO vote in early January 2004. The comments are now under review by the NERC drafting team and the next step (re-ballot, comment, etc.) is unknown.
- **Develop Transmission Plans** – The SAR drafting team including Mr. Adams has been appointed.
- **Standard 600 – Determining Facilities' Rating, Operating Limits, and Transfer Capabilities** – Mr. Adamson indicated that the comments submitted by the NYSRC (January 14, 2004) and the comments of others remain under review by the drafting team. NERC representatives have acknowledged that the SAR process will result in a watering down of the standards.
- **Standard 400 – Coordinate Interchange** – RRS filed comments on February 10, 2004 which are consistent with the comments of NPCC.
- **Standard 100 – Coordinate Operations** – Mr. Adamson reported that NPCC CP#9 will meet on February 22, 2004 to review the draft of Standard 100. Once the NPCC comments are available RRS will decide whether additional comments are necessary. The comments are due to the NERC drafting team by March 1, 2004 - **AI #58-13.**
- **Process Manual Revision** – Mr. Adamson indicated that the Standards Authorization Committee (SAC) is recommending an amendment to the Process Manual that would allow limited changes to the Manual without going through the entire Standard Development Process. NYSRC comments on the proposed revision will be submitted shortly.

7.0 Installed Capacity Subcommittee's Status Report

7.1 ICS Status Report and Discussion Issues – Mr. Dahl reported that the ICS Subcommittee met on February 4, 2004 to begin preparation for the 2005 IRM Study.

7.2 Lessons Learned – 2004-2005 Statewide IRM Study Decision Process – Mr. Dahl indicated that the Subcommittee went through its own "lessons learned" review. Two specific items were identified for future action:

- i. Base Case Assumptions** – In recognition of the Committee's desire to know the IRM impact of the assumptions as early as possible, ICS will strive to provide relative (high, medium, low) impacts in August 2004 in conjunction with base case assumption recommendations – **AI #58-14.**
- ii. Lack of Back-up** – Mr. Dahl expressed concern that the specialized performance of IRM and Locational Requirements studies are being carried out by Mr. Drake (NYISO) without

back-up. Mr. Adams indicated that the NYISO is operating under a hiring freeze. Therefore, GE would serve as the fall back, if necessary.

The Committee, then, discussed at length potential “lessons learned” regarding the process it uses to select the IRM once provided the technical results by ICS. It was suggested that the process should be reproducible to meet scientific norms. Dr. Sasson discussed what he believed to be over-reliance on the base case in the annual review to establish the statewide IRM. He suggested that ICS should establish a statistical range based on the full gamut of likely input assumptions. Also, Dr. Sasson expressed concern about volatility in the annual IRM when it is not based on physical changes to the power system but, instead, is due to changes in assumptions and/or software. He suggested that when changes in assumptions and/or software are significant their effect should be phased in over 2-3 years. Dr. Sasson stated that the NYSRC IRM represents minimum and not average requirements. This, he believes, needs to be taken into account in the ICS study. Dr. Sasson requested that ICS discuss these suggestions and report back to the Committee on any recommendations – **AI #58-15**. However, other members appeared satisfied with continued use of the base case and sensitivity cases as a reasonable proxy for a statistical range with associated probability bands at least until the necessary software exists for a more statistically acceptable approach. Ms Hogan expressed the view that the approach currently used constitutes “good science” and the results should be used to determine the IRM as opposed to the negotiated result that determined the IRM for 2004. Mr. Loughney cited the extraordinary efforts of the NYISO and ICS to refine the IRM study over the years and expressed confidence in the IRM results and sensitivity cases. He further expressed frustration with the Committee’s unwillingness to move in the direction that those results have indicated for several years.

7.3 Other ICS Issues – Mr. Dahl reported that the NYISO has audited about 14,000MW of NYCA capacity and found that the EFORD is understated by ~ 1.7 percentage points. A letter was sent to Mr. Adams requesting the NYISO’s participation in incorporating the complete audit results into the IRM and Locational Requirements data base. Mr. Adams also indicated that procedures have been re-written to assure that step-up transformers are included when reporting the outage rate performance of a generator.

8.0 Reliability Compliance and Monitoring Subcommittee Status Report/Issue

8.1 RCMS Status Report & Discussion Issues – Mr. Loehr reported that RCMS met on February 12, 2004 and spent much of the meeting discussing issues related to various NERC, NPCC and NYSRC activities on the newly proposed reliability standards.

8.2 Status of NYSRC Reliability Compliance Program (NYRCP)

i. 2003 NYRCP Responsibilities and Milestones – Mr. Loehr indicated that the Subcommittee is finishing the details on 2003 Measurements. Completion of the Bulk Power System Security List will slip to 2004 as will the Procedure for Capacity Resource Testing. The recently completed Annual NYCA Transmission Review will appear on both the 2003 and 2004 Compliance Program.

ii. 2004 NYRCP Responsibilities and Milestones – The 2004 Compliance Program was approved by the Committee on January 9, 2004.

iii. 2004 NYRCP Assessments – Mr. Loehr indicated that no assessments are scheduled until March 2004.

8.3 Other RCMS Issues - Mr. Adamson noted that the 2003 Highlights Report will be issued in a few days.

9.0 Other Items

9.1 FERC Wholesale Power Market Platform Proceeding – Mr. Gioia reported that a recent letter to the NYISO from FERC Chairman, Mr. Wood, indicates that FERC will not be imposing any additional requirements on the NYISO related to SMD.

9.2 Millennium Gas Pipeline – On December 12, the U.S. Secretary of Commerce denied Millenium’s appeal of New York State’s decision to prevent the pipeline from proceeding on the grounds that those portions of the pipeline crossing the Hudson River and approaching New York City are inconsistent with the State’s coastal management program. As a result, FERC and the Corp of Engineers may not issue the permits necessary for the project to proceed. Mr. Gioia suggested that the ongoing gas studies take into consideration the possibility that this pipeline may not be completed as planned – **AI #58-16**. Also, it is unclear whether the outcome here will have an effect on the licensing of the Island-East Project.

9.3 NYISO Operating Report – Mr. Raymond introduced the 2003 year- end report. There does not appear to be significant decline in performance over the past three years. Mr. Fleury noted that the NYCA reached a new seasonal peak of 25,262Mw in the 15th hour on January 15, 2004.

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

9.5 NPCC Report – Nothing to report.

9.6 Defensive Strategies - Mr. Smith provided the Committee with a discussion summary titled Still More Follow-up Thoughts on the Events of 8-14-2003 dated February 13, 2004. He noted that since the last Committee meeting, he has met/teleconferenced with a number of individuals involved in furthering the “lessons learned” from the Blackout including the NYISO (Mr. Waldele and staff), Mr. Tatro (chair -- NERC BIT Dynamic Study Group), Mr. Stuart (chair – NERC BIT Transmission System Performance Group), and Mr. Fleury regarding the Homer City – Stolle Rd. and Homer City – Watercure, 345 KV lines. It is observed that the external interfaces to NYCA “unzipped” as did the Total – East Interface within the NYCA. The sequence of events suggests strengthening incoming capability by improving the settings of distance relays, upgrading the distance protection, and/or possibly replacing distance protection with differential schemes to secure the system from transient power swings. Further, Mr. Smith suggested a full review of key interface lines to better understand their security. Mr. Loehr noted that a similar investigation to that of Mr. Smith is warranted from an instability (versus power surge) perspective.

10.0 Visitor’s Comments – No visitor comments were received.

11.0 Meeting Schedule

<u>Mtg. No.</u>	<u>Date</u>	<u>Location</u>	<u>Time</u>
#59	Mar. 12, 2004	Albany Country Club, Voorheesville, NY.	9:30 A.M.
#60	Apr. 15, 2004	Albany Country Club, Voorheesville, NY.	9:30 A.M.

The open session of Committee Meeting No. 58 was adjourned at 4:25P.M.

