

Final Minutes
New York State Reliability Council, L.L.C. (NYSRC)
Executive Committee
Meeting No. 66 – October 8, 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 – Vice Chairman
William H. Clagett	Unaffiliated Member
Timothy R. Bush	Muni. & Elec. Cooperative Sector – Alternate Member
George C. Loehr	Unaffiliated Member & RCMS Chairman
Tom M. Piascik	PSEG Power, LLC(Wholesale Seller Sector)
Thomas Gentile	National Grid, USA
Michael B. Mager	Couch White, LLP (Retail Sector-Alternate Member)*
A. Ralph Rufrano	New York Power Authority – Alternate Member
George E. Smith	Unaffiliated Member
Mayer Sasson	Consolidated Edison Co. of NY, Inc.
Joseph C. Fleury	New York State Electric & Gas/Rochester Gas & Electric - Phone

Others:

Alan M. Adamson	Consultant & Treasurer
John M. Adams	New York Independent System Operator (NYISO)
Michael Calimano	New York Independent System Operator (NYISO)*
Roger E. Clayton	Conjunction, LLC – 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 (NY DPS or PSC)

Visitors – Open Session:

Erin P. Hogan, P.E.	NYSERDA
Alex Schnell, Esq.	Attorney, New York Independent System Operator
Bart Franey	National Grid, USA – phone*

“*” – 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 – In Mr. Haase’s absence, Mr. Ellsworth called the NYSRC Executive Committee (Committee) Meeting No. 66 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. Mr. Fleury attended via phone. Central Hudson was not represented at the meeting.

1.1 Visitors – See Attendees List, page 1.

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

1.3 Executive Session Topics – None

2.0 Meeting Minutes/Action Items List

2.1 Approval of Minutes for Meeting No. 65 (September 10, 2004) – Mr. Raymond pointed out several proposed changes to the draft minutes. The Committee offered several additional points of clarification. Subject to these corrections and clarifications, Mr. Bolbrock moved that the Committee approve the revised draft minutes for Meeting No. 65. The motion was seconded by Mr. Clagett and approved unanimously by the Committee Members in attendance at the time (11-0). The Executive Secretary will issue the final minutes for Meeting No. 65 and post them on the NYSRC web site – **AI #66-1**.

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>
58-15	ICS has decided not to phase-in assumption changes in the IRM Study for 2005.
62-15	RRS presented the proposed Rules on October 8, 2004.
63-2	Central Hudson provided a new member, Mr. H.Turner, to RCMS.
63-9	Mr. Adams provided the Gas Study information on September 9, 2004.
64-2	The budget for 2005 was approved on October 8, 2004.
64-6	Mr. Gioia indicated that only the NYISO has the authority and processes to address disputed violations by the MPs.
64-10	Mr. Loehr indicated that RCMS had completed its review of the NPCC Blackout Restoration Report on October 7, 2004.
65-1	The minutes of EC Meeting No. 65 were posted on the NYSRC web site on October 12, 2004.
65-2	Mr. Gioia presented the Funding Mechanism and approval was granted at the October 8, 2004 Committee meeting.
65-3	Mr. Bolbrock e-mailed Mr. Schwerdt's presentation on the Role of the Regional Councils to the NERC Board of Trustees (BOT) on October 1, 2004.
65-4	The Committee approved the generic NYISO Non Compliance letter at its October 8, 2004 meeting.
65-5	Mr. Gioia completed a review of the NPCC Dispute

65-9	Resolution Process in conjunction with preparing the proposed NYISO Non Compliance letter.
65-10	Mr. Adams provided feedback on the FERC Readiness Audit Conference at the October 8, 2004 Committee meeting. The Committee provided input at its October 8, 2004 meeting.

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 September 2004. He noted that all payments in response to the Call-For-Funds for the 4th quarter of 2004, issued on September 10, 2004 had been received as of October 4, 2004. The end-of-year Budget Projection is now \$30,000 under budget. Also, Mr. Adamson proposed that the Committee extend for one year the accounting services of Colleen Campoli, CPA. Mr. Clagett moved that the proposal be accepted. The motion was seconded by Mr. Bolbrock and approved unanimously by the Committee Members in attendance at the time (11 to 0).
- ii. **General Liability Insurance Premium** – Mr. Gioia reported that as a result of the recent Liberty Mutual audit, Liberty Mutual is now claiming that had they known NYSRC contractors did not have their own liability insurance, their premium for the period ending June 30, 2004 would have been \$2,878 higher. Mr. Gioia informed Marsh that the NYSRC does not believe that this retroactive charge is warranted. Marsh stated that it would look into the matter and advised that the NYSRC not make the additional payment until they get back to us.
- iii. **Funding Mechanism** – Mr. Gioia presented the proposed NYSRC Funding Mechanism for 2005, which was prepared by Mr. Fleury and reviewed by Mr. Gioia. After minor corrections by the Committee and in accordance with NYSRC Accounting Policy 3, Mr. Bolbrock moved for approval. Mr. Clagett seconded the motion which was unanimously approved by the Committee Members in attendance at the time (11 to 0). Upon arrival, Mr. Mager indicated his approval. Mr. Duffy signified his approval on October 14, 2004 via e-mail to the Executive Secretary. Mr. Bolbrock reported that a NERC initiative on Funding is hindered by its lack of legislated authority. NPCC is actively keeping cost allocation on the table.
- iv. **2005 Budget** – Mr. Adamson presented the final budget for 2005. Following discussion, Mr. Bolbrock moved that the budget be approved. The motion was seconded by Mr. Loehr and unanimously approved by the Committee Members in attendance at the time (11 to 0).

3.2 Other Organizational Issues

- i. **Subcommittee Staffing** – Mr. Raymond agreed to ask Mr. Haase whether he would prefer that the letter to the Membership requesting additional Subcommittee participation be issued under Mr. Ellsworth's name – **AI #66-2**.
- ii. **Nomination/Election of Officers** – Mr. Gioia presented changes to the Operating Agreement to address the selection of Officers when a resignation is rendered prior to completion of the term of office. Following discussion, Dr. Sasson moved for approval of the changes as presented. The motion was seconded by Mr. Bolbrock and unanimously approved by the Committee Members in attendance at the time (11 to 0). The Nominating Committee indicated that Mr. Ellsworth is the only nomination to be offered for the position of Chairman, which will become effective following the adjournment of the November 12, 2004 meeting of the

Committee. Mr. Clagett moved that the nominations be closed. The motion was seconded by Mr. Bolbock and approved unanimously by the Committee Members in attendance (11 to 0). The Committee then considered the election of a member to succeed Mr. Ellsworth as Vice Chair and Secretary. Mr. Ellsworth indicated that there were two Members nominated for the Vice Chair and Secretary position, Dr. Sasson and Mr. Gentile. An election was conducted in accordance with the procedures in the NYSRC Operating Agreement, and Mr. Gentile was elected to succeed Mr. Ellsworth.

- iii. **Meeting Schedule for 2005** – Mr. Loehr provided a proposed meeting schedule for 2005 comprising the second Friday of each month with the exceptions of Thursday, January 13, 2005 and Thursday, November 10, 2005. Mr. Gentile moved for approval of the schedule which was seconded by Mr. Loehr and approved unanimously by the Committee Members in attendance at the time (11 to 0).

4.0 Key Reliability Issues

- 4.1 **Future Role Of Regional Regional Reliability Councils – Feedback** – Mr. Bolbrock indicated that the final report is due at year-end. Mr. Gioia noted a lack of mention of “more stringent” rules in Mr. Schwerdt’s presentation to the NERC BOT, though the term “more specific” was used.
- 4.2 **Responsibility for Compliance With Reliability Rules** – Mr. Loehr reported that efforts to resolve the differing viewpoints between the NYSRC and the NYISO regarding responsibility for compliance with Reliability Rules have been unsuccessful. Mr. Gioia stated that under the tariffs and agreements approved by FERC, the NYISO is responsible for overseeing compliance with all Reliability Rules. The NYISO remains concerned about the potential liability that may arise from receiving a “finding of non compliance” from the NYSRC for violations that are caused by the failure of MPs to take required action. Mr. Schnell, attorney for the NYISO, cited the NYSRC Agreement as indicating the responsibility lies with the NYSRC. Mr. Gioia countered that neither the NYISO nor the MPs are signatories to the NYSRC Agreement. Mr. Calimano raised concern about the lack of “due process” before any letter is sent under the NYSRC scenario. Following lengthy discussion, Mr. Bolbrock moved that the Committee approve Mr. Gioia’s latest sample “Non-Compliance Letter” as a generic letter to be modified on a case by case basis and, further, that before such a letter(s) is issued it must be approved by the Committee after the NYISO has been given prior notice and opportunity to present its case before the Committee. Dr. Sasson seconded the motion which was approved unanimously by the Committee Members in attendance (12 to 0).
- 4.3 **Regional Greenhouse Gas Initiative** – Ms. Hogan reported that part of the Study assumptions were sent out to the Committee on October 7, 2004. The remainder, including coal prices and renewable resources, will follow shortly. Comments should be directed to Ms. Hogan within the next week, if possible. She noted that the assumption had been reviewed and supported by the NYISO representatives.
- 4.4 **FERC Comments on the Role of the NYSRC Regarding Local Reliability Rules** – Nothing new to report.
- 4.5 **FERC Order Granting Request For Clarification (Physical Differences)** – Mr. Gioia noted that FERC had responded favorably to the NYSRC Request For Clarification and suggested the Chair send confirming letters, including the FERC Order, to NPCC, SERC, PJM, MAAC and the major Control Areas. Mr. Gioia will also look into an article in the Foster Report - **AI #66-3**.

- 4.6 FERC’s Sept. 27, 2004 Audit Conference** – Feedback from Messrs. Adams and Bush indicated a mixed tone while the FERC press release was clearly critical of NERC. Mr. Gioia will forward the Conference transcript once it becomes available - **AI #66-4**. Mr. Calimano indicated that capabilities vary broadly across the country. He concurred with the view that FERC is looking more closely at NERC.
- 5.0 NYISO Status Report/Issues**
- 5.1 Status of NYISO August 14, 2003 Blackout Investigation** – Mr. Calimano indicated that the final Report has not yet received NYISO Board approval. 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. Calimano indicated that an updated NYISO Blackout Follow- List will be sent out prior to the November 12, 2004 Committee meeting.
- 5.3 Verify NYISO Blackout Report Meets NYSRC Expectations** – Mr. Loehr will send a letter to Mr. Calimano informing him of the RCMS findings. RCMS is preparing a written Report that should be ready for review at the November 12, 2004 Committee meeting – **AI #62-9**.
- 5.4 NYSRC Consolidated Final Blackout Report Recommendations** – Nothing new to report.
- 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.
- 6.2 NYISO Planning Process** – Mr. Adams reported that the Operating Committee has approved the Initial Planning Report. The Report will now go to the Management Committee for approval at its next meeting. Mr. Adams will forward the draft to the Committee for its information – **AI #66-5**.
- 6.3 Studies – Status**
- i. Reactive Resource Adequacy** – Mr. Adams reported that the Study criteria will remain under consideration by the Working Group. Further, he agreed to make arrangements for Mr. Waldele to present the findings so far at the November 12, 2004 NYSRC EC meeting – **AI #65-7**.
- ii. NYSERDA/NYISO Gas Study** – Mr. Adams indicated that there is nothing new to report regarding the process for determining how gas pipeline contingencies can cascade into the electric system. Ms. Hogan reported that delays until August 2004 in the contracting associated with the fuel supply component of the Study have put the analysis on hold pending completion of the public comment period on October 20, 2004. The NYISO/DPS on-going work on the interaction between the gas and electric markets will culminate in an information document in December, 2004. Mr. Adams noted that the NYISO had agreed to host a FERC Workshop on the pipeline infrastructure’s ability to support electric generation in December 2004.
- iii. NYSERDA/NYISO Wind Study** – Mr. Adams reported that the Study Group will meet with the contractor during the week of October 10, 2004 after which the findings of Phase II will be provided. He will ask the contractor, GE, to make a presentation at the Committee’s December 10, 2004 meeting – **AI #65-8**. The draft Report is expected in December 2004 and the Final Report in January 2005. He also noted that the interconnection queue has over 1300MW of wind power registered. The target for renewables in NYS is 25%. Currently, NYS is at about 18%.
- iv. Electric Deliverability Study** – Mr. Adams indicated that an IITF meeting is scheduled for the week of October 10, 2004 to clarify the definition of “deliverability” and assure the stakeholders concur with the Study’s direction. The Study is a requirement under the FERC Interconnection Order, which had provided for a 60-day comment period. FERC granted an extension until February 7, 2005. Also, the NYISO filed for rehearing regarding whether the NYISO can opt out of the

Deliverability Product citing the NYCA's Locational Capacity Requirements. FERC has not yet ruled.

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 September 15, 2004 and October 5, 2004 to review and finalize the 2005 Statewide IRM Requirements Study for presentation to the Committee.

7.2 Preparation for 2005-2006 Statewide IRM Study – Mr. Dahl presented a summary which showed a comparison of 2005 Study results with the 2004 Study results and the impact of the key assumptions approved by the Committee at the October 8, 2004 meeting. The base case for 2005 is 17.6%, .5% above 2004. The largest single assumption impacts were DMNC Unavailability (+2.3%), and EFORs (-1.0%). The “White Paper” provided by the NYISO in August, 2004 describes the derivation of the 711Mw DMNC adjustment in the MARS capacity model. It is hoped that improved NYISO outage reporting procedures and Market incentive will reduce the overstatement of available capacity by the generator owners in the future. There are nearly 2000MW of new capacity modeled as well as the retirement of Hudson Ave., Waterside, and Albany. Also, Mr. Dahl noted that without Transmission constraints, the preliminary IRM base case requirement would be 15.4%, an IRM impact of 2.2% versus .9% last year. Mr. Dahl then presented four ways for illustrating the results of the probability analysis request by the Committee in the Draft Report. It was concluded that the Report would include High, and Low Sensitivity results without judgmental probabilities. Mr. Dahl added that the ICS has a conference call on October 19, 2004 to review the Draft Report, which will be available to the Committee prior to its November 12, 2004 meeting – **AI #66-6**. Also, the Committee discussed at length whether the final IRM Requirement should be expressed to the nearest per cent, .5 per cent or .1 per cent. It was agreed that ICS would address the issue when making its specific recommendation of the IRM Requirement for 2005 at the November 12, 2004 Committee meeting.

7.3 Review of LCR/IRM Methodology – Mr. Dahl indicated that a white paper will be presented at the November 12, 2004 Committee meeting which recommends an ICS consensus “anchor” point for determining LCR – **AI #62-16**.

7.4 Other ICS Issues

i. PSC Renewables Proceeding – Nothing new to report.

8.0 Reliability Rules Subcommittee Status Report/Issues

8.1 RRS Status Report & Discussion Issues – Mr. Clayton reported that the RRS met last on October 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. He indicated that RRS is becoming more involved in the NYISO Reactive Resource Study as requested by the Committee. Dr. Sasson emphasized the visibility and importance of the reactive resource issue. He also raised the question of determining minimum reactive reliability rules. Mr. Adams noted that several Blackout Recommendations pointed to a reassessment of Reactive Resource Planning which has begun. Mr. Clayton reminded the Committee that NYSRC has voltage rules which cannot

be met without adequate reactive resources.

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 introduced five PRRs, #67, #69, #70, #71, and #75 that are recommended by RRS to be posted for comments. Following discussion and modifications, Messrs. Clagett and Smith moved for approval as modified and seconded the motion, respectively. The motion was unanimously approved by the Committee Members in attendance (12 to 0). The Executive Secretary will post the PRRs – **AI #66-7.**

3. PRRs for EC Discussion - none

8.3 RRS Discussion Issues – Mr. Clayton introduced a proposed change to the Rules Section B Introduction of the NYSRC Reliability Rules Manual regarding SPSs to more closely align with the NPCC A-2 Document. The Committee will vote on the change at the November 12, 2004 meeting – **AI #66-8.**

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 Draft 2 was posted on September 3, 2004 together with a twenty-five page Comment Form. RRS is working with NPCC on comments and then will develop its own comments, which are due on October 15, 2004. Draft 2 did not address all our comments. Draft 3 will be posted in November 2004 for balloting in December 2004.
 - **Standard 1300 – Permanent Cyber Security –** Mr. Adamson indicated that NPCC and NYISO comments are being relied upon.
- **Standard 1400 – Certification of the Balancing Authority Function -** Mr. Adamson indicated that NPCC and NYISO comments are being relied upon.
- **Standard M – Amend NERC Reliability Standards Process Manual –** It is proposed to streamline the cumbersome Process Manual. RRS recommended a yes vote which was concurred with by the Committee.

9.0 Reliability Compliance and Monitoring Subcommittee Status Report/Issues

9.1 RCMS Status Report & Discussion Issues – Mr. Loehr reported that RCMS met on October 7, 2004. He noted that RCMS has completed review of the NPCC Blackout Restoration Report. There were no examples of non-compliance in New York State. Also, he expressed concern that several stations have fault current issues. Con Ed and National Grid have provided mitigation plans, but Entergy and Constellation have not. RCMS will continue to track the situation through the NYISO.

9.2 Status of NYSRC Reliability Compliance Program (NYRCP)

i. 2004 NYRCP Responsibilities and Milestones – Nothing new to report.

9.3 Other RCMS Issues – None

10.0 Other Items

10.1 Defensive Strategies - Messrs. Loehr, Smith and Clagett will put together their thoughts on defensive strategies and present the results at the November 12, 2004 meeting – **AI #66-9.**

10.2 Millennium Gas Pipeline – Mr. Gioia acknowledged that Keyspan Corp. through its Keyspan Energy Development unit acquired a 21% equity interest in the Millennium pipeline project.

10.3 NYISO Operating Report – Mr. Raymond reported that the August 2004 Operating Summary showed no unusual trends. However, a NERC/NPCC Reportable Event took place on August 30, 2004 at 08:35 when

Nine Mile Point Unit #1 tripped at a load of 585Mw. Shared Activation of Reserves was initiated and the NYCA ACE crossed zero at 08:43, in full compliance.

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

10.5 NPCC Report – Mr. Bolbrock reported that the NPCC Executive Committee has approved two new positions as a consequence of additional workload stemming from the Blackout. Also, NPCC will support (a) a strong Readiness Audit Program in the NERC Mission, (b) early regional input to the post legislation NERC Reorganization Plan, and (c) a \$1 million budget increase at the next NERC Board of Trustee’s meeting.

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>
#67	November 12, 2004	Albany Country Club, Voorheesville, NY.	9:30 A.M.
#68	December 10, 2004	Albany Country Club, Voorheesville, NY.	9:30 A.M.

The open session of Committee Meeting No. 66 was adjourned at 4:00 P.M.