

Final Minutes
New York State Reliability Council, L.L.C. (NYSRC)
Executive Committee
Special Meeting (SM) #4 - January 5, 2007
Via Teleconference

Members and

Alternates:

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

Others:

Alan Adamson	Consultant & Treasurer
John Adams	New York Independent System Operator (NYISO)
Greg Drake	New York Independent System Operator (NYISO)
Carl Patka, Esq.	New York Independent System Operator (NYISO) – Counsel
Paul Gioia, Esq.	LeBoeuf Lamb Greene & MacRae, LLP – Counsel for NYSRC
Howard Tarler	NYS Department of Public Service
Edward Schrom	NYS Department of Public Service
Steven Jeremko	NYSEG-RGE (ICS Member)
Frank Vitale	Consultant
Mark Younger	Slater Consulting (ICS Member)
Madison Milhous	KeySpan Ravenswood (ICS Member)
Steve Keller	NYS Department of Public Service

Visitors:

Erin Hogan, PE	NYSERDA
Phil Smith	Mirant Corp.
Michael Delaney	NYC Economic Development Corp.
Jim Mayhew	NRG
Lance Henricks	FERC

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

II. **Open Session**

Introduction – Mr. Ellsworth called the NYSRC Executive Committee (Committee) Special Meeting to order at 11:00 A.M. Mr. Adamson prepared the minutes of this meeting. Thirteen (13) Members and/or Alternates of the Committee were present.

2.0 **Purposes of this Special Meeting**

Mr. Ellsworth reviewed the primary purposes of this special Committee meeting: first, to consider approval of the Technical Study Report, “NYCA Installed Capacity Requirement for the Period May 2007 Through April 2008” (2007 IRM Report), prepared by ICS; and second, to adopt a Final NYCA IRM for the period May 2007 through April 2008.

3.0 **2007 IRM Report**

Mr. Ellsworth requested Mr. Dahl to discuss the highlights of the report. Mr. Dahl reviewed the major changes that have been incorporated into the report since the previous Committee meeting. He reported that ICS agreed at its January 3 meeting to prepare a new sensitivity case table that includes descriptions and explanations of the sensitivity cases, in addition to IRM and LCR results. Mr. Dahl recommended that this new table replace Table B-1 that now appears in the Appendix of the draft report. The proposed Table B-1 was separately transmitted to the Committee on January 4. The Committee agreed that the new Table B-1 be inserted in the report after ICS has had an opportunity to provide final comments.

Because of methodology issues associated with the modeling of two sensitivity cases - a case to simulate a 350 MW capacity wheel from Quebec through Ontario into NYCA and a case that includes the future Neptune Cable - the Committee agreed not to include both cases in the 2007 IRM report. ICS was requested to continue its review of Neptune Cable modeling issues in early 2007. As a result, there will be a total of 13 sensitivity cases included in the report.

Mr. Adamson reported that PRR #89, which modifies NYSRC Reliability Rule A-R1 (Resource Adequacy Criterion), has completed its posting period without receiving comments. ICS recommends that the modified version of Rule A-R1 be incorporated in the report. At its January 4 meeting RRS recommended that the Committee approve this rule change. A motion was moved by Dr. Sasson to adopt the PRR #89 rule modification. The motion was then seconded and unanimously approved by the Committee.

Mr. Bush moved to approve the 2007 IRM Study Report, as modified to incorporate the above changes as well as minor non-technical revisions and to set the 2007 IRM at 16.0%. The motion was seconded by Mr. Fleury. Dr. Sasson moved to amend the motion to drop the setting of the IRM at 16.0%, which was seconded and approved. The Committee then proceeded to vote for the amended motion which was

unanimously approved. Mr. Dahl shall finalize the IRM Study Report and forward to the Secretary for posting on the NYSRC Web site – **AI #SM4-1**

4.0 Member Positions on the 2007 IRM Requirement

Prior to voting to adopt a Final 2007 IRM, the Committee agreed that Members may provide statements on their positions as to the appropriate 2007 IRM. Positions were stated as follows:

- Mr. Fleury read from a prepared statement that began: “Because the current 16% IRM proposal meets the reliability needs of the state as noted in the 2007 Draft IRM Study Report, NYSEG-RGE votes today in support of the proposed 16% IRM for capability year 2007-2008.” He requested that the full statement be included in the meeting minutes. The Committee agreed with Mr. Fleury’s request; the full statement appears as an attachment to these minutes.
- Dr. Sasson stated that sensitivity case results indicate that having a prolonged outage on an Indian Point unit reflected in one of the five years of the average availability that is used will increase the IRM from the base case 16.0% result to 17.0%. Additionally, the effect of an actual outage this unit would result in an IRM well in excess of 18.0%.

Further, the base case 16% IRM results in a 99.7% upper bound confidence level of 16.9%. Considering these two factors would provide an IRM just below 18%. Availability rates had a +0.4% impact on the results. He expects that availability rates may increase next year. In Dr. Sasson’s view, the NYSRC should not send a mixed reliability signal that may result if the NYSRC reduced the IRM one year and increased the IRM the following year. Also, any significant IRM reduction provides a signal that New York State needs less generating resources in future years, when we know from current NYISO RNA studies that the NYCA will need new generation resources in the future if it is to meet the 0.1 LOLE criteria. He further indicated concern about past errors in the GE-MARS program. For these reasons Mr. Sasson urged that a 17.5% to 18.0% IRM be adopted by the Committee.

- Mr. Bush indicated that he felt a 16.0% IRM was appropriate as determined by the study, but could support 16.5%. He stated that he did not believe he could support any higher IRM.
- Messrs. Franey and Gentile urged the Committee to adopt the Free Flow Equivalent IRM because of issues raised previously by National Grid and NYSEG-RGE. Mr. Franey stated that increasing the IRM so as to guard against imperfect modeling assumptions is misplaced. Reliability concerns currently exist in southeastern New York – from both operations and planning perspectives. Moreover, it has been proven that LOLE can be significantly improved by adding capacity downstream of system constraints as opposed to adding the same amount of capacity upstream of system constraints.

Therefore, committee members seeking to add margin to the IRM Basecase should lobby for an increase in locational reserve requirements at the NYISO's Operating Committee as opposed to increasing the IRM here today.

- Mr. Haake indicated his concern about the potentially bad market signals an IRM reduction from 18.0% would have on the outside world.
- Mr. Mager commented about the high quality of ICS's technical study that provided a base case result of 16.0% and sensitivity cases, which includes some conservatism. Adding a large increment to the base case value for determining the final 2007 IRM to account for uncertainties would seriously reduce the value of performing a detailed IRM study. For this reason, as well as other considerations, he recommended an IRM of 16.5%.
- Mr. Loehr stated that he recommends an IRM in the range of 16.5% to 17.5%.
- Mr. Rufrano stated that in consideration of sensitivity and confidence level results, he recommends adoption of an IRM of 17.0%.
- Mr. Smith stated that the upper range of the confidence level was 16.9%, and together with his analysis of IRM histograms prepared by NYISO staff, has concluded that an IRM of 16.5% is appropriate. Mr. Smith also commented on the histogram recently presented for 1500 samples of the base case and noted that the results showed substantial dispersion from the expected "bell shaped" curve. He suggested that these phenomena be investigated further by the ICS as part of their "lessons learned" course of business.

5.0 Balloting for Establishment of the Final NYCA IRM for 2007

Mr. Ellsworth stated that motions were in order for establishing the Final NYCA IRM for 2007.

A motion was made by Mr. Gentile and seconded by Mr. Fleury, to set the NYCA IRM requirement at the Free Flow Equivalent IRM, i.e., 14.1%, for the May 1, 2007 through April 30, 2008 period. The motion was defeated by the Committee with three (3) Members voting in favor of the motion, nine (9) Members voting against the motion, and one Member abstaining.

A motion was introduced by Mr. Mager and seconded by Mr. Bush to set the IRM at 16.5%. Dr. Sasson moved seconded by Mr. Haake, to amend this motion and set the NYCA IRM requirement at 17.5% for the May 1, 2007 through April 30, 2008 period. The motion to amend was defeated by the Committee with six (6) Members voting in favor of the motion and seven (7) Members voting against the motion.

The Committee entertained a discussion whether to consider motions to amend and voting on an amended motion jointly through one formal vote and rejected proceeding in this fashion.

A new motion to amend was then offered by Dr. Sasson and seconded by Mr. Haake to set the IRM at 17.0%. This amendment was defeated by the Committee with seven (7) Members voting in favor of the motion and six (6) Members voting against the motion.

The motion to set the NYCA IRM requirement at 16.5% for the May 1, 2007 through April 30, 2008 period was next balloted. The motion was passed by the Committee with ten (10) Members voting in favor of the motion and three (3) Members voting against the motion.

Mr. Gioia was requested by the Committee to draft a NYSRC Resolution which formally documents the Committee's action on its approval of a NYCA IRM of 16.5% for the 2007-08 capability period. Mr. Gioia will circulate, via e-mail, a draft Resolution to the Committee for review and approval. – **AI #SM4-2**.

The meeting was adjourned at 1:15 PM.

The meeting minutes were prepared by Alan Adamson.

Attachment

The statement below, prepared by NYSEG/RGE, was agreed by the Committee to be included with the January 5, 2007 NYSRC Executive Committee minutes. It is related to Section 4.0 of the minutes.

Because the current 16% IRM proposal meets the reliability needs of the state as noted in the 2007 Draft IRM Study Report, NYSEG-RGE votes today in support of the proposed 16% IRM for capability year 2007-2008.

- NYSEG-RGE seeks to ensure that the IRM and LCRs are not distorted by methodological or computational errors.
- NYSEG-RGE acknowledges that 16% IRM with LCRs of 80% NYC and 99% LI satisfy the NYSRC Policy 5 requirement, whereby the IRM is anchored on the IRM-LCR curves using the Tan 45 methodology.
- NYSEG-RGE believes the current methodology used to determine the IRM and associated LCRs is flawed and imposes an improper cross-subsidy on Upstate consumers.
- NYSEG-RGE continues to believe that the Free Flowing Equivalent is the only technically sound methodology to develop an IRM within the NYCA. This method and the associated LCRs maintain reliability while assigning appropriate cost responsibilities to all New York State consumers.
- NYSEG-RGE continues to reserve our rights in pursuing all administrative and legal remedies necessary to secure timely implementation of the Free Flowing Equivalent methodology for setting capacity requirements for the NYCA.