

Final Minutes
New York State Reliability Council, L.L.C. (NYSRC)
Executive Committee
Special Meeting (SM) #2 – March 20, 2006
Via Teleconference

Members and Alternates:

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

Others:

Alan M. Adamson	Consultant & Treasurer
John M. Adams	New York Independent System Operator (NYISO)
John W. Pade	New York Independent System Operator (NYISO)
Carl Patka	New York Independent System Operator (NYISO)
Gregory Drake	New York Independent System Operator (NYISO)
Steve Jeremko	New York State Electric & Gas/Rochester Gas & Electric
Paul L. Gioia, Esq.	LeBoeuf Lamb Greene & MacRae, LLP – NYSRC Council
Edward Schrom	NYS Department of Public Service
Wes Yeomans	National Grid, USA
King Look	Consolidated Edison Co. of NY, Inc.
Jerry LaRose	New York Power Authority
Carlos Villalba	Consolidated Edison Co, of NY, Inc.
Steve Keller	NYS Department of Public Service

Visitors:

David Applebaum	FPL Energy
Joe Langan	PPL EnergyPlus
Howard Fromer	PSEG
Rick Mancini	Customized Energy Solutions
Tim Foxen	NRG Energy, Inc
Phil Fedora	NPCC

Mat Milhous	KeySpan Ravenswood
Glen McCartney	Constellation Energy
Erin Hogan	NYSERDA
Mark Younger	Slater Consulting
Elaine Robinson	New York Independent System Operator (NYISO)
Doreen U. Saia	Greenburg Traurig

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

II. **Open Session**

1.0 **Introduction** – Mr. Ellsworth called the NYSRC Executive Committee (Committee) Special Meeting to order at 1:30 P.M. Mr. Adamson prepared the minutes of this meeting.

1.1 **Meeting Attendees** - Thirteen Members and/or Alternates of the Executive Committee were present at the meeting.

1.2 **Visitors** – See attendee list (pages 1-2).

2.0 **Purpose of this Special Meeting**

Mr. Ellsworth reviewed actions during and since the March 10, 2006 Committee meeting which preceded and led to this meeting. During Executive Session, the NYISO informed the Committee at its March 10 meeting that errors had been discovered in the NYISO-prepared MARS data base that was used in NYSRC studies relied on as the basis for adopting the 18.0% IRM requirement for the 2006-2007 capability year on January 31, 2006. The data base was also used for NYISO studies used as the basis for NYISO adoption of locational capacity requirements (LCRs) for the same capability year. The NYISO agreed to correct the errors and provide the NYSRC with updated study results. The Committee instructed the Installed Capacity Subcommittee (ICS) to review the results and report its findings to the Committee. A special Committee meeting, via conference call, was scheduled for March 20 to receive a report from ICS. Also, Mr. Gioia was requested on March 10 to prepare an appropriate announcement on the NYISO data base error and the NYISO's agreement to update the IRM study using a corrected data base, for posting on the NYSRC and NYISO Web sites. Mr. Ellsworth reviewed the purpose of this meeting, as follows: (1) To review an ICS analysis of updated MARS study results using a corrected data base, and (2) To determine whether any revision to the IRM requirements for 2006-07 is warranted.

3.0 **Nature of the Data Base Error**

Mr. Ellsworth requested Mr. Adams to describe the data base error. Mr. Adams explained that the data base used to calculate NYCA IRM and LCRs incorrectly modeled locational operating reserves. The error occurred in the manner in which the operating reserves were accounted for in the model. The model tracks the number of times the locational operating reserves are utilized by placing them in the Emergency Operating Procedures. The operating reserves are first removed and then added back later in as 30 minute and 10 minute reserves. Although the amounts subtracted and added back in were equal on a statewide basis, they were not equal on an individual zonal basis. This had the effect of unintentionally shifting capacity from the NYC and LI zones to the Western NY zones. The

error had the impact of understating NYC and LI capacity by about 700 MW, while overstating Western NY capacity by the same amount. This had the effect of overstating NYC and LI LCRs.

Mr. Adams reported that data inputs have now been corrected. To ensure no other data base errors exist, on March 16 the NYISO staff worked with GE to perform a detailed review of the entire MARS data base. The input file was examined line by line along with selected summaries of the inputs and outputs. No other errors were found. As a result, GE concluded that there is a high degree of confidence that there are no further errors in the data base. Mr. Adams responded to several questions from meeting attendees. Mr. Bolbrock stated his concern about the need to better check the data base for future studies.

3.0 Updated IRM Study Results

Mr. Ellsworth requested Mr. Dahl, ICS Chairman, to provide a status of updated IRM study results provided by the NYISO. Mr. Dahl reported that ICS met on March 17 to review the results of MARS runs using corrected data base assumptions. ICS reviewed curves depicting NYCA IRM requirements versus NYC and LI LCRs, based on study results developed using the Unified Method, prepared by NYISO staff. ICS approved these curves with the provision that NYISO staff re-run one case for better defining one out of eight points on each curve. The anchor points on these curves were evaluated using the TAN 45 method, which was approved by the Committee for use in 2006-07 IRM studies. The consensus of ICS was that the anchor point results in an IRM of 18.0%. Prior to the Committee meeting, a version of these curves with a slightly modified appearance was forwarded to the Committee for review at today's meeting. ICS recommends that an addendum be prepared by ICS to the 2006-07 NYCA IRM report dated January 31, 2006. Mr. Dahl responded to several questions from meeting attendees.

4.0 Discussion

Mr. Haake objected to the Committee's proposal to update the IRM requirements. He summarized an IPPNY position, expressed in his March 15 letter to Messrs. Ellsworth and Calimano, which stated that unless the currently-approved IRM and LCRs are shown not to meet the NYSRC LOLE criterion, then the revision to be made, not for reliability purposes, but solely to affect an economic outcome, and the IRM and LCRs should not be revised at this late date on that basis. Mr. Adams stated in response to a question from Mr. Haake, that based on the updated study results, he has concluded that the NYSRC LOLE criterion would be met if the currently-approved IRM and LCR requirements were to be maintained. Mr. Haake stated that since the IRM and LCRs were approved in January and February 2006, market participants have been entering transactions for the purchase and sale of capacity based on these capacity requirements, and that disruption to the capacity markets and procurement process would be great if the IRM or LCRs were to be revised at this time.

Mr. Haake further objected that the Committee was being asked to vote on this important matter without the benefit of having a revised IRM report setting forth the assumptions affecting, and rationale for adopting for, the updated IRM. He asked whether the Committee has ever formally adopted an IRM requirement without having a complete report in hand to support the IRM number. Mr. Adamson responded the Committee has previously approved

an IRM requirement on a tentative basis for the purpose of conducting sensitivity analyses, but never formally adopted an IRM without having a supporting report also available for approval.

In response to Mr. Haake's position, Dr. Sasson stated that the NYISO was requested by the Committee on March 10 to provide the NYSRC with updated study results, and that the NYISO and ICS has complied with this request. Mr. Bolbrock further noted that if the IRM and LCRs were not corrected, consumers in NYC and LI could pay higher electric costs in the millions of dollars.

5.0 Motions

Following further discussion a motion was made by Dr. Sasson and seconded by Mr. Bolbrock to affirm the statewide IRM of 18.0% based on NYISO studies using a corrected data base and recognizing the new load forecast and the TAN 45 method previously approved by the Committee. Mr. Gentile offered an amendment to this motion, seconded by Mr. Fleury, that a statewide IRM, based on free-flow equivalent results, shall be affirmed. The Committee defeated this amendment (4 yes, 8 no, and one abstention). The original motion was also defeated (8 yes, 4 no, and one abstention). During the discussion, Mr. Smith expressed his concern with the efficacy of the TAN 45 methodology, as implemented, due to lack of analytical rigor in determining an IRM/LCR value based on a first derivative in order to have with sufficient precision, and not on a judgmental basis as was the case this time, and suggested a revision to the motion. This was considered a friendly revision by the motion movants. The original motion was then revised to include the understanding that the TAN 45 method would be reconsidered for the 2007-08 capability year IRM study, as follows:

“After the NYISO corrected the MARS database and recognizing the new load forecast, and based on the new unified methodology curves that are before the Executive Committee and the TAN 45 methodology previously approved by the Executive Committee, and with the understanding that the TAN 45 methodology will be reconsidered for the next capability year, the Executive Committee of the NYSRC hereby affirms that the statewide Installed Reserve Margin for the 2006-2007 capability year is 18.0%”.

The Chairman called for a vote on this revised motion, which was moved by Dr. Sasson and seconded by Mr. Bolbrock. The Committee approved this resolution (9 yes, 3 no, and one abstention).

Mr. Adams stated that the NYISO Operating Committee will be meeting on March 21 to review LCRs based on the updated studies. He was requested to notify the Operating Committee of the above Executive Committee's resolution.

The special meeting was adjourned at 3:15 P.M.

