

Draft Minutes
New York State Reliability Council, L.L.C. (NYSRC)
Executive Committee
Special Meeting – August 25, 2006
Telephonic Meeting

Members and Alternates:

Bruce B. Ellsworth	Unaffiliated Member – Chairman
Bart Franey	National Grid –Alternate Member
Richard J. Bolbrock	Long Island Power Authority
Thomas C. Duffy	Central Hudson Gas & Electric
Curt Dahl	LIPA – Alternate Member – ICS Chairman
William H. Clagett	Unaffiliated Member
Michael B. Mager, Esq.	Couch White, LLP (Retail Sector)
George C. Loehr	Unaffiliated Member, RCMS Chairman
Glenn Haake, Esq.	IPPNY (Wholesale Seller Sector)
George E. Smith	Unaffiliated Member
Mayer Sasson	Consolidated Edison Co. of NY, Inc.
A. Ralph Rufrano	New York Power Authority

Others:

Alan M. Adamson	Consultant & Treasurer
E. C. Schrom, Jr.	NYS Dept. of Public Service
John Adams	New York Independent System Operator (NYISO)
Carl Patka	New York Independent System Operator (NYISO)
P. L. Gioia, Esq.	LeBoeuf Lamb Greene & MacRae, LLP - Council
Don Raymond	Executive Secretary
Ray Kinney	New York State Electric & Gas/Rochester Gas & Electric
Steve Jeremko	New York State Electric & Gas/Rochester Gas & Electric
Madison Milhous	KeySpan Ravenswood LLC

Visitors – Open Session:

Erin Hogan, P.E.	NYSERDA
Phil Smith	Mirant Corporation
Ken Davis	Hunton & Williams, LLP
Harvey Happ	NYS Dept. of Public Service
Tim Foxen	NRG
Mark Younger	Slater Consulting, Inc.

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

I. Open Session

- 1.0 Introduction** – Mr. Ellsworth called the NYSRC Executive Committee (Committee) Special Meeting held on August 25, 2006 to order at 10:00 A.M. The purpose of the Special Teleconference was to select a methodology for determining a point (“anchor point”) on the LCR/IRM Curve for performing the sensitivity analysis phase of the IRM Study for 2007-08.
- 1.1 Meeting Attendees** – Thirteen Members and/or Alternate Members (or representatives) of the NYSRC Executive Committee were on the conference or provided their vote (T. Bush) to the Chairman as proxy prior to the call.
- 1.2 Visitors** – See Attendee List, page 1.
- 1.3 Requests for Additional Agenda Items** – None.
- 2.0 Anchor Point for the 2007-08 IRM Study** – Mr. Ellsworth asked the Executive Committee for comments prior to entertaining motions for a methodology to determine an “anchor point”. Mr. Haake noted that in a memo to the Executive Committee dated August 24, 2006, Mr. Gioia laid out two options for allowing the IRM Study for 2007-08 to move forward should the Executive Committee be unable to gain the necessary nine votes for a specific “anchor point” methodology. The options are: (a) continue using the Tan 45 Method on the grounds that the previous Executive Committee authorization remains in effect or (b) authorize unilateral action by the Chairman per Section 4.08 of the Operating Agreement to select an anchoring point methodology for the IRM Study on the grounds that such a determination is necessary to “facilitate the effective administration of the NYSRC”. Mr. Haake wished to be on record that, in his view, this situation does not warrant a unilateral determination by the Chairman. ~~authorizing the Chairman to make a unilateral judgment.~~ He does, however, concur with Mr. Gioia that option (a) is a viable way to proceed. There being no other introductory comments, Mr. Bolbrock offered a motion to continue with the Tan 45 Methodology (open-ended). The motion was seconded by Mr. Loehr, but following further discussion, the Tan 45 Methodology failed to gain the necessary nine votes for passage – (8-yes, 2-no, 3-abstain). Next, Mr. Franey moved for selection of the Free Flow Equivalent (FFE) Methodology. The motion was seconded by Mr. Kinney. Again, the motion failed to gain the necessary nine votes- (2-yes, 8-no, 3-abstain). Mr. Franey noted his disagreement with the options in Mr. Gioia’s memo and expressed the view that failure to approve last year’s method suggests simply that continuing with Tan 45 is a flawed concept. Mr. Gioia acknowledged that there are reasonable arguments on either side of option (b). He added, however, given that the decision is not the final selection of the IRM, but instead the selection of an “anchor point” methodology which will allow the IRM Study to proceed, the Chairman in this case could, in his opinion, give guidance to ICS to ~~proceed using the Tan 45 Methodology~~ with respect to an anchoring methodology. Mr. Jeremko added that the Free Flow Equivalent point on the LCR/IRM curve will be determined in any event, albeit without the additional sensitivity cases. Also, Dr. Sasson expressed support for Mr. Haake’s view ~~which questioned the authority of the Chairman to act unilaterally in this case~~ indicating that it is best not to set a precedent for the Chairman to act especially since there is another option that is acceptable. Mr. Jeremko asked Messrs. Dahl/Haake to summarize the previous days’ RAITF meeting. Mr. Dahl reported that the RAITF heard a well prepared presentation by Mr. Jeremko showing from his perspective the costs of implementing the Tan 45 vs. FFE Methodologies including the Demand Curve dynamics. Mr. Dahl noted that the results for Tan 45 were in line with the previous economic analysis in the Tan 45 Position Paper. Further, RAITF did discuss cost allocation issues. It was concluded that it is within the purview of any Market Participant to go the NYISO Business Issues Committee and raise the cost allocation issue at any time. However, the consensus of the RAITF was to wait at least until the Upstate/Downstate Study is complete and a determination is made whether the subsidy exists and, if so, the cost implications. The schedule for completion is December 2006 or January 2007. Mr. Gioia noted

that there is some skepticism regarding the schedule for the Upstate/Downstate, and he encouraged the Executive Committee to be attentive to its progress so that delays are avoided. Further, he suggested that ICS do all it can to nail down the details and produce a firm schedule. While not disagreeing with Mr. Gioia, Messrs. Dahl and Sasson expressed caution in view of the complexity and uniqueness of the Study and the need to complete the IRM Study in parallel. Mr. Adams noted that the Upstate/Downstate Study and IRM Study will be performed using the same data base. Lastly, Mr. Ellsworth asked for additional motions regarding selection of an “anchor point” methodology. Mr. Duffy (?) moved for a vote supporting continuance of the Tan 45 methodology for one year. Hearing no second to the motion, the Executive Committee agreed to proceed with the IRM Study based on Mr. Gioia’s analysis which concluded that “in the absence of a specific requirement to the contrary in a Reliability Rule or Policy 5.0, the Executive Committee’s previous approval of the Tan 45 Method will remain in effect unless and until the Executive Committee acts to revise or replace it with a different anchoring methodology”.

3.0 Visitors’ Comments – None

4.0 Meeting Schedule

<u>Mtg. No.</u>	<u>Date</u>	<u>Location</u>	<u>Time</u>
#89	September 8, 2006	Albany Country Club, Voorheesville, NY.	9:30 A.M.
#90	October 13, 2006	Albany Country Club, Voorheesville, NY.	9:30 A.M.

The open session of the Executive Committee’s Special Meeting #3 was adjourned at 10:58 A.M.