

Minutes
New York State Reliability Council, L.L.C. (“NYSRC”)
Executive Committee
Meeting No. 12 - April 13, 2000
Northeast Power Coordinating Council (“NPCC”) Offices - New York City

Members and Alternates:

Richard J. Bolbrock	Long Island Power Authority (“LIPA”) - Chairman
William H. Clagett	Unaffiliated Member - Vice Chairman
Roger E. Clayton	Wholesale Sector, PG&E Generating
Mark J. Cordeiro	Municipals, PLM, Inc
Michael A. DeLaura	New York Power Authority (“NYPA”) (Alternate)
Alan G. Elberfeld	LIPA - (Alternate) - (part time)
Joseph C. Fleury	New York State Electric & Gas Corporation - Secretary
H. Kenneth Haase	New York Power Authority (“NYPA”)
John Hauber	Rochester Gas & Electric Corporation
George C. Loehr	Unaffiliated Member
Robert M. Loughney	Retail Sector, Couch, White, LLP (Alternate)
Kenneth A. Mennerich	Central Hudson Gas & Electric Corporation (“CHG&E”)
P. Donald Raymond *	Niagara Mohawk Power Corporation (“NMPC”)
Mayer Sasson	Consolidated Edison Co. of New York, Inc. (“Con Edison”)

Others

John M. Adams	New York Independent System Operator (“NYISO”) (Alternate)
Alan M. Adamson	Consultant - Acting Treasurer
Paul L. Gioia	LeBoeuf, Lamb, Greene & MacRae (“LLG&M”) - (part time)
Keith O’Neal	New York Public Service Commission (“PSC”)
Ed Schwerdt	Northeast Power Coordinating Council (“NPCC”) - (part time)

* - Denotes individual participated in the meeting by telephone.

Agenda Items - (Item # from Meeting Agenda)

1.0 Introduction/Open Session Topics

1.1 Requests for Additional Agenda Items - The Committee reviewed the agenda for the meeting and had no additional items.

1.2 Topics for Open Session - The Committee discussed various topics to be addressed during the Open Session. See below.

2.0 Meeting Minutes/Action Items List

2.1 Approval of Minutes for Meeting No. 11 (March 24, 2000 - After Committee discussion, Mr. Mennerich moved that the Draft Minutes from Meeting No. 11 be approved as modified by the Committee, which was seconded by Mr. Haase, and carried unanimously by the Committee Members in attendance (10 to 0, 2 absent). The Secretary will issue the final minutes for Meeting No. 11 and post the final minutes on the NYSRC web site - **AI #12-1**.

2.2 Action Items List - The Secretary distributed the Outstanding Action Items List to the Committee.

3.0 Organizational Issues

3.1 IRS Action on Tax Exempt Filing Status

Mr. Gioia reported that the Internal Revenue Service ("IRS") is expected to act on the NYSRC's request for tax exempt status in June 2000.

3.2 Legal Counsel Retention Agreement

Mr. Bolbrock noted that he and Mr. Gioia have finalized the draft Legal Retention Agreement, which will be sent to the subgroup including Messrs. Clagett, Mennerich, and Fleury for review and comment - continuation of **AI #5-10**.

3.3 Financial Issues

a. Funding Mechanism - Mr. Gioia noted that the motion sent to the NYISO Management Committee on the proposed NYSRC funding mechanism, was tabled at the last meeting since progress had been made with the NYISO Board and Counsel in gaining their support. Mr. Gioia noted that draft language has been sent to the NYISO Counsel for review and action by the NYISO Board at their next meeting. If the NYISO Board does not act on the issue, the motion will be on the agenda for the May 4, 2000 NYISO Management Committee meeting. The Committee agreed that all members should solicit the support of their Management Committee representatives on the motion. The Committee also agreed that when the FERC filing is made, a statement shall be added noting that the PSC has reviewed the NYSRC budget. It was also agreed that the budget should be reviewed based on higher costs incurred for insurance coverage and legal expenses. Mr. Adamson was requested to review the budget and prepare a revised budget based on the costs incurred to date - **AI #12-2**.

b. NYSRC Treasurer's Report - Mr. Adamson presented the Treasurer's Report to the Committee. The March 2000 Summary of Receipts and Disbursements was distributed. Mr. Adamson reported that two parties have not submitted payments in response to the calls for funds. Invoices have been received for insurance coverage and legal expenses. A call for funds was issued in April for May and June at a monthly rate of \$5,000 per affiliated member, and are due on May 1st and June 1st, respectively. Mr. Adamson also reported he has commented on the draft financial statement for the year ending December 31, 1999 prepared by the Accountant. The Accountant is also preparing the

NYSRC tax forms to be filed at the IRS.

3.4 Insurance Requirements

The Secretary reported that Mr. Gioia has finalized the insurance policy with Marsh, Inc. for NYSRC insurance requirements. The insurance policies have been reviewed by NYSEG's Risk Management Department and were found to be adequate. The Directors and Officers ("D&O") coverage application was completed by Mr. Gioia.

3.5 Coordination with NYISO, NPCC, NERC

Mr. Bolbrock reported that he and Mr. Adamson will be attending the April 19, 2000 NYISO Operating Committee meeting to discuss NYSRC responsibilities and the Reliability Compliance Monitoring Program. Mr. Bolbrock has agreed to make similar presentations at the future NYISO Management and Business Issues Committee meetings.

3.6 Selection Process for Vacant Unaffiliated Member

Mr. Loughney reported that the Selection Committee consisting of Messrs. Clagett, Sasson, and Loughney has been re-established to select and present three (3) candidates to fill the Unaffiliated Member position on the Committee, being vacated as a result of Mr. Casazza's resignation. The Selection Committee has tentatively scheduled to complete interviews of candidates on May 1st. Names of other candidates can be submitted by the Committee members directly to the Selection Committee for consideration. The Selection Committee shall start the selection process and provide a status report at the next meeting - continuation of **AI #11-6**.

4.0 Millennium Gas Pipeline Project Status

The Secretary reported that the Millennium Pipeline Company ("Millennium") has not responded to FERC's March 21, 2000 letter directing Millennium to review and respond to the concerns raised by the NYSRC, PSC, and National Marine Fisheries Service within 20 days.

Mr. Sasson reported that the NYISO has indicated that an official request is required from the NYSRC to complete the study on the loss of six (6) - 345kV transmission lines located in the same corridor as the proposed pipeline. The Committee made a formal request to Mr. Adams for the NYISO to complete the study within 4 to 6 weeks - **AI #12-3**.

5.0 Proposed NERC Legislation Status & NYSRC Course of Action

The Secretary noted that Mr. Gioia will be preparing a response to the NERC objections to the NYSRC language proposed for the draft legislation. The legislation has slowed down and there appears to be only a slim chance that the legislation will be enacted during the current legislative session. Messrs. Gioia and Bolbrock will then schedule a meeting with the representatives from New York

and/or the House Subcommittee to discuss the issues - continuation of **AI #7-13**.

6.0 NYS Assembly Statewide Reliability Study

Mr. Bolbrock reported that Mr. Loehr will represent the NYSRC on the Steering Committee. No information was available regarding the selection of a consultant for the completion of the statewide reliability studies.

7.0 NOx Emission Constraints on NYC Generating Units

After briefing the Committee during the Closed Session, Mr. Sasson reported during the Open Session that starting May 1, 2000, strict emissions rules will start impacting generating units in New York State, with a significant impact on generating units in New York City now under the ownership of four different entities. Under the current market structure, the NYISO dispatches generating units without consideration for NOx emissions. As a result, emissions limits may be exceeded, subjecting the owners to penalties. Mr. Sasson noted that the NYISO has facilitated meetings with the four owners of the NYC generating units, however, not all of the parties are willing to propose to the NYS Department of Environmental Protection (“DEC”) that the emissions constraints be imposed on all of the NYC units as a bundle or single bubble. Mr. Sasson noted that the Reliability Rules Subcommittee (“RRS”) proposed to the Committee that the NYSRC meet with the NYISO to discuss the NOx issue, followed by a letter to the NYISO. If after the meeting with the NYISO, the NYSRC is not satisfied with the actions taken by the NYISO, the Committee will draft a resolution on the issue. If by the next Committee meeting, the issue is not adequately being addressed by the NYISO, then the RRS will draft a Reliability Rule addressing the issue. The Committee agreed with the RRS proposal and the RRS will pursue - **AI# 12-4**. Mr. Adams noted that the NYISO has included this issue on the list of actions to be addressed for Summer 2000 Preparations.

8.0 NYISO Preparedness for Summer 2000

During the Closed Session, Mr. Adams distributed a draft document titled “Summer 2000 Preparations,” which had been presented at the last NYISO Management Committee meeting. The Committee agreed that the NYISO shall make a report at the next Committee meeting on the NYISO’s preparedness for the Summer 2000 period, providing a written report to the Committee as well - **AI# 12-5**.

9.0 Reliability Rules Subcommittee

9.1 Subcommittee Status Report

After briefing the Committee during the Closed Session, Mr. Sasson reported during the Open Session

that the Reliability Rules Subcommittee (“RRS”) last met on April 7, 2000. An open session was provided, with one entity monitoring. Mr. Sasson reported that the RRS is developing a policy on reliability versus economics, which was assigned to the RRS by the Committee at the last meeting. Mr. Sasson also noted that the RRS addressed an issue raised by a market participant regarding terminology (“installed capacity requirements” versus “installed capability requirements”) used in the NYSRC’s Initial Reliability Rules. The correct term is “installed capacity requirements” and the RRS will revise the text of the next issue of the NYSRC Reliability Rules to incorporate the correct term. The last item noted was that the NYSRC Initial Reliability Rules were issued with a draft document as Exhibit 2. The final document is now available for the Secretary to post on the NYSRC Web site - **AI #12-6**.

9.2 Reliability Rules - Status of Revisions

Mr. Sasson reported during the Open Session that the RRS continues its review of the Initial Reliability Rules to assess compliance with the NERC and NPCC standards. The RRS has developed a list of 27 new reliability rules or modifications to the existing Initial Reliability Rules and has developed a template for use in the modification process. Messrs. Sasson and O’Neal presented the following proposed reliability rules, which were discussed in detail by the Committee:

- (1) Provision for emergency action on the part of the NYISO operators to have authority to take action as required during emergency situations - Mr. Sasson noted that the NYSRC’s Initial Reliability Rules did not include this provision. This provision may be included in the introduction of the NYSRC Reliability Rules, instead of as a new reliability rule.
- (2) Modification to existing reliability rule 4.12 to increase 30 minute operating reserve (to the same amount as 10 minute operating reserve) on an interim basis for Summer 2000 and make the reliability rule consistent with NPCC by including the requirement that 10 minute operating reserve be replenished in 30 minutes following a contingency - Mr. O’Neal presented this modification noting that it could be implemented for the entire Summer 2000 period, or at the NYISO’s discretion on a daily basis. In addition, Mr. O’Neal noted that a new category of “replacement reserve” be implemented at a later date. The Committee instructed the RRS to meet with the NYISO on this proposed modification to (i) determine whether the NYISO is in compliance with the existing NPCC rule on replenishing 10 minute operating reserves; (ii) discuss how the NYISO will implement the proposed modifications; and (iii) determine the cost to the market participants of implementing the modifications. A recommendation shall be provided to the Committee by the RRS prior to the next meeting and the Committee shall be prepared to vote on the proposed modification - **AI #12-7**.
- (3) “Quick Start” Mode for 30-minute gas turbines at Gowanus and Narrows - Mr. Sasson presented this proposed reliability rule noting that it has been an existing Con Edison System Operation Department Procedure under the NYPP since 1992, which was overlooked when the NYSRC’s Initial Reliability Rules were adopted. The rule notes that the gas turbines be placed in “Quick-Start” mode, if required, enabling the units to be on-line and at base load within 10 minutes. The Committee instructed the RRS to meet with the NYISO on this proposed rule, contact the owner of the units and provide a copy of the proposed reliability rule, and provide a recommendation to the Committee prior to the next meeting. The Committee shall be prepared to vote on the proposed

rule at the next meeting - included in **AI #12-7**.

(4) NOx Emissions Concerns with NYC generating units - See Item 7.0 above.

10.0 Installed Capacity Working Group

10.1 ICWG Status Report & Discussion Issues

During the Open Session, Mr. Cordeiro reported that the ICWG has taken no action since issuing the Final Report on "New York Control Area Installed Capacity Requirements for the Period May 2000 through April 2001." The ICWG will be working with Mr. Adams to develop a schedule for the completion of assumptions to be used in the 2001 study to determine the statewide installed reserve margin.

10.2 FERC Acceptance of Statewide Installed Reserve Margin

Mr. Gioia reported during the Open Session that on March 29, 2000, FERC accepted the NYSRC's filing of the 18% Statewide Installed Reserve Margin dated February 22, 2000. The FERC order in the proceeding was good from an overall NYSRC perspective.

10.3 NYISO Recommendation on Locational Installed Reserve Margins

Mr. Adams reported during the Open Session that since the NYISO Operating Committee did not approve the NYISO recommendation of 76% and 97% locational installed reserve margin ("IRM") requirements for New York City and Long Island, respectively, the NYISO, as noted in its March 22, 2000 email message, decided to maintain the existing locational IRM requirements of 80% and 107% respectively. Mr. Haase questioned Mr. Adams statement noting that it was his understanding that the NYISO Operating Committee only took a straw vote of its members on the issue and was never requested to vote on the locational IRM requirements by the NYISO. Mr. Adams also reported that the IRM requirements for all of the Load Serving Entities ("LSE's) was determined to be 18.6%, based on FERC's acceptance of the NYISO's Stage 1 ICAP filing on March 29, 2000.

During the Open Session report from the Reliability Compliance Monitoring Subcommittee, Mr. Adamson discussed the following comments on the NYISO's draft report on locational IRM requirements: (1) a conclusion shall be added to the report indicating that the NYISO is maintaining the existing locational IRM requirements of 80% and 107% for NYC and Long Island, respectively; (2) revise the draft report to comply with reporting requirements; and (3) expand the report to include the analysis leading to the individual LSE IRM requirement of 18.6%.

11.0 Reliability Compliance Monitoring Subcommittee

11.1 Subcommittee Status Report & RCMS Discussion Issues

During the Open Session, Mr. Bolbrock introduced Mr. DeLaura of NYPA as the new Chairman of

the Reliability Compliance Monitoring Subcommittee (“RCMS”). Mr. DeLaura noted that the RCMS last met on April 12, 2000. In addition to the items addressed below, Mr. DeLaura noted that the RCMS is working on templates for Part 1 of the compliance program, along with a reliability compliance report similar to NPCC.

11.2 NYSRC Reliability Compliance Program

Mr. DeLaura briefly summarized the NYSRC Reliability Compliance Program (“NYRCP”) during the Open Session. The NYRCP was discussed in greater detail at the March 27, 2000 Committee meeting. Mr. DeLaura noted that the RCMS was requesting approval of the NYRCP by the Committee, since it has scheduled a meeting with the NYISO on April 17 to discuss the program. He also noted that the NYISO has scheduled a Reliability Compliance Workshop for April 27, with involvement from the NYISO, NYSRC, and NPCC. A motion was introduced by Mr. Clagett, seconded by Mr. Haase, and approved unanimously by the Committee (12 to 0) to adopt the NYRCP as proposed by the RCMS. Mr. Bolbrock shall draft a letter to the NYISO informing them of the adoption of the NYRCP, along with preparing a draft press release, to be forwarded to the Committee for review - **AI# 12-8**.

11.3 Annual Report from NYISO on Performance of NYS Power System & NYISO Compliance with NYSRC’s Reliability Rules

Mr. Bolbrock noted during the Open Session that the RCMS will be working with the NYISO on the Annual Report from the NYISO pursuant to Section 3.7 of the NYISO/NYSRC Agreement.

12.0 System Adequacy Reports/Studies

During the Closed Session, the Committee discussed various studies being conducted by the NYISO and NPCC. Mr. Schwerdt noted that the NPCC’s Summer 2000 Reliability Assessment Study will be issued on May 18, 2000, which includes: (1) a Multi-Area Reliability Simulation (“MARS”) study, and (2) an operating study with a week-by-week assessment for Summer 2000. Preliminary results indicate that there will be approximately fifty (50) hours this summer when the New York Control Area (“NYCA”) will be short of operating reserves, based on the statewide IRM of 18%. Mr. Adams noted that the preliminary results of the CP8 Study indicate that the NYCA will be down to no reserves for approximately 20 hours this summer, requiring emergency operating procedures to be implemented. Mr. Schwerdt noted that a report on the NPCC study will be presented at the April 25th NPCC Executive Committee meeting. The Committee discussed the need to have Mr. Adamson represent the NYSRC on the NPCC committee completing this study. Mr. Schwerdt was requested to contact the Chairman of the NPCC Committee to attend the next Committee meeting to discuss the NPCC Study - **AI# 12-9**.

13.0 Other Issues

The Committee discussed a number of items regarding preparations for Summer 2000. Mr. Haase discussed the April 11 EPRI Workshop in Atlanta covering the actions being taken across the US in preparation for this summer, and will forward information from the workshop to the Committee. The Committee agreed that it is imperative that the NYSRC receive the NYISO's Summer 2000 preparedness plans, along with periodic updates, as soon as possible, along with a presentation by the NYISO (see Item 8.0 above). Mr. O'Neal noted that the NYISO and individual transmission owners are responsible for handling day-to-day operating emergencies, and that the Committee should be prepared to meet on an emergency basis, if required, to stay informed of operating conditions. Mr. Clayton suggested that the NYSRC conduct meetings or press conferences with various parties to inform the public of the role of the NYSRC. Mr. Bolbrock noted that LIPA is scheduling press conferences geared to informing the public of appeals that could be made to curtail load. Mr. Loughney stated that the NYISO and transmission owners should offer incentives to reduce load. Others noted that they already have customer contracts with provisions for curtailing load in emergency situations.

Mr. Bolbrock also noted that LIPA is very concerned with the operation of its gas turbine generating units. He noted that Mr. Elberfeld will be sending a letter requesting the RCMS to determine whether the NYISO has complied with existing Reliability Rules regarding the start-up and operation of gas turbine units, and whether there are any new Reliability Rules that should be implemented by the NYSRC to address gas turbine units.

14.0 Meeting Schedule

The Committee agreed on dates for the July and August meetings, and also agreed to change the start time for Meeting No. 13 to 9:30AM, with the Open Session starting at 1:00 PM. The following are the scheduled dates and locations for the future Committee meetings:

<u>Mtg No.</u>	<u>Date</u>	<u>Location</u>	<u>Time</u>
#13	May 12	NPCC Offices, New York City	9:30AM
#14	June 16	NYISO Power Control Center, Guilderland	9:30AM
#15	July 13	NYISO Power Control Center, Guilderland	9:30AM
#16	August 17	NYISO Power Control Center, Guilderland	9:30AM

The Secretary will contact the NYISO to make arrangements and will prepare and issue the agendas for the meetings - **AI #12-10**.

The Committee Meeting No. 12 was adjourned at 3:15 PM.

Completed By: Joseph C. Fleury - Secretary

Final Issue Date: May 12, 2000