

Minutes
New York State Reliability Council (“NYSRC”)
Executive Committee
Meeting No. 1 - May 10, 1999
New York Power Pool Power Control Center
Guilderland, New York

Members and Alternates:

Richard J. Bolbrock	Long Island Power Authority
Timothy R. Bush	Wholesale Sector, Sithe Energies, Inc
John A. Casazza	Unaffiliated Member
William H. Clagett	Unaffiliated Member
Roger E. Clayton	Wholesale Sector, PG&E Generating (Alternate)
Mark J. Cordeiro	Municipals, PLM, Inc
Joseph C. Fleury	New York State Electric & Gas Corporation
H. Kenneth Haase	New York Power Authority
John Lombardi	Orange and Rockland Utilities, Inc. (Substitute)
Kenneth A. Mennerich	Central Hudson Gas & Electric Corporation
Robert Podlena	Rochester Gas & Electric Corporation
P. Donald Raymond	Niagara Mohawk Power Corporation
Mayer Sasson	Consolidated Edison Co. of New York, Inc.
Algird F. White, Jr.	Retail Sector, Couch, White, LLP

By Invitation:

Alan M. Adamson	Consultant
William J. Museler	New York Independent System Operator (“NYISO”)
John P. Buechler	NYISO
Paul L. Gioia	LeBoeuf, Lamb, Greene & MacRae, LLP
Keith O’Neal	New York Public Service Commission (“PSC”)
Howard A. Tarler	New York Public Service Commission

1.0 Introductions

Mr. Casazza moved that Richard Bolbrock be appointed chair for today’s meeting, and that Mr. Bush act as secretary. The motion was seconded and passed unanimously.

Mr. Bolbrock asked each member and guest to state their name, background and company, by way of introduction. The membership list was revised, and redistributed to those present.

The agenda was reviewed, during which Mr. Tarler pointed out that the FERC is expecting to be notified as to the list of members on the NYSRC Executive Committee (“Committee”). Later in the meeting, Mr. Gioia was asked to submit this information to the FERC - **Action Item (“AI”)**

#1-1.

2.0 Orientation

Mr. Alan Adamson presented a series of slides to orient the Committee to the purpose and responsibilities of the NYSRC, as filed with the FERC. He distributed three reports with his slides, "Functional Responsibilities of the New York State Reliability Council," dated January 18, 1999, "NERC Compliance Program," dated October 19 and 21, 1998, and the "Status Report: NPCC's Framework for an Enhanced Reliability Assessment Program, (ENRAP)," dated June 1, 1998, for the Committee's information.

The Committee discussed the nature of compliance monitoring for the NYISO, as it relates to the NYSRC, NPCC, and NERC. It was decided that the NYSRC should take an active role in reviewing and commenting on the templates and procedures that the NYISO will use for compliance reporting from the market participants - **AI #1-13**.

Mr. Sasson summarized the changes that have been developed for the NYSRC Agreement, and NYISO/NYSRC Agreement that were filed as part of the NYPP Member Systems' April 30, 1999 Compliance Filing ("Compliance Filing") at FERC. The Committee requested copies of these documents, which were distributed later. The changes are summarized as follows:

- The original filing had language that stated that Transmission Owners could establish new local reliability rules, and put them into effect immediately. The FERC disagreed, and required that these rules should follow normal development processes and must be reviewed and approved by the NYSRC, with no special considerations for local reliability rules. The NYISO can object and the rule is not to be implemented pending the outcome of the dispute resolution process.
- All members of the NYSRC are obligated to abide by the terms and conditions of the NYSRC agreement.
- Procedures for insuring that any confidentiality requirements are met are to be developed by the NYSRC - **AI #1-14**.
- The original filing stated that all Load Serving Entities ("LSE's") had to abide by installed capacity requirements. This was clarified to mean LSE's within the New York Control Area ("NYCA") only.
- The Compliance Filing indicates that the NYISO will be active at NERC and NPCC, since the NYISO is the NYCA operator.
- The original filing indicated that disputes between the NYISO and the NYSRC are

mediated by the PSC. It now indicates that disputes will be handled by the FERC and the PSC as appropriate.

3.1 Organizational Issues

Mr. Gioia described two options regarding a corporate structure for the NYSRC. Since the major concern in developing a structure is insulation from personal and organizational liability, a Not-for-Profit Corporation, and a Limited Liability Company appear to be the best options. His initial opinion was that the Limited Liability Company might be a better option, particularly one incorporated in the state of Delaware, since there is some amount of case law that has been decided in Delaware regarding this type of structure. Mr. Gioia agreed to supply a document with the pro's and con's of each structure for the Committee's deliberations at its next meeting - **AI #1-2**. It is contemplated that the NYSRC should be fully formed and operational when the NYISO begins operation.

Mr. Casazza moved that the Committee proceed to explore these options; this was seconded by Mr. Sasson, and carried unanimously.

3.2 Election of Officers

The process by which the officers of the Committee should be elected was discussed. It was decided that nominations for the positions of Chairman, Vice Chairman, and Secretary would be submitted to Mr. Tarler and Mr. Casazza by May 24 - **AI #1-3**. Mr. Tarler will issue ballots after he or Mr. Casazza confirms the nominees willingness to serve, by May 26. Ballots will then be returned to Mr. Tarler by June 1. It was recognized that it might take several rounds of balloting to achieve an election of an officer within the 9 vote to pass criterion.

The Committee also discussed the desirability of creating the position of Treasurer. Since the NYISO and the NYSRC are to be independent organizations, it was felt that it would not be appropriate to have the NYISO handle the NYSRC's finances for more than a short startup period of time, even though that may be a convenient way to handle them. The Committee agreed to explore this further - **AI #1-4**.

3.3 Subcommittees

The Committee discussed the need for standing subcommittees. It was decided that at least two subcommittees were required, those being a Reliability Rules Subcommittee and a Compliance Monitoring Subcommittee. A small ad hoc working group, consisting of Messrs. Bush or Clayton, Adamson, Raymond and O'Neal was charged to prepare draft scopes and

responsibilities for these subcommittees for the next Committee meeting - **AI #1-5**.

3.4 Bylaws

After a brief discussion, a motion was passed unanimously to have Mr. Gioia prepare a first draft of a set of NYSRC bylaws for the Committee's consideration - **AI #1-6**.

3.5 Insurance Requirements

The Committee agreed that an insurance consultant should be retained to explore options for liability and any other coverages that might be required for its members. Mr. Tarler suggested that Mr. Buechler be asked to provide input as a significant amount of development in this area has been done by the NYISO Transition Steering Committee - **AI #1-7**.

3.6 Legal Counsel

The Committee discussed the need for acquiring legal counsel for the organization. Mr. Gioia stated that it might be better to have counsel on retainer, in order to provide consistency, and to minimize the potential for conflicts of interest in getting representation. When asked, he indicated that his firm, LeBoeuf, Lamb, Green and MacRae, LLP, would be interested in serving in this capacity. The Committee decided to explore this issue further - **AI #1-8**.

4.0 Staffing Issues

The Committee reviewed the three basic staffing proposals presented in the report entitled "Functional Responsibilities of the New York State Reliability Council," dated January 18, 1999. Mr. Bush moved that the NYSRC should begin operations without permanent staff, retaining consultants to temporarily supplement the NYSRC Subcommittees for the purpose of carrying out Council responsibilities. Mr. Claggett seconded the motion, which carried unanimously. This is referred to as option B in the report.

5.0 & 6.0 Plan for Adopting Reliability Rules and Plan for Compliance Monitoring

Mr. Sasson indicated that the Transmission Owners would be providing a list of proposed local reliability rules by June 1 for Committee adoption - **AI #1-9**. Mr. Bush stated that his sector believes that it is appropriate for each proposed rule to be reviewed and approved by the Committee prior to adoption. Mr. Casazza stated that it would be useful to notice the Committee of any upcoming NERC or NPCC meetings, since the Council is responsible for

reliability in New York - **AI #1-10**. The Committee concurred that both of these items were appropriate.

7.0 Budget Issues

Mr. Sasson reported that the Transmission Owners were considering providing an initial allocation of funds in order to allow the NYSRC to begin its operations. These funds will be included in the NYISO Transition Accounts that the Transmission Owners will recover when the NYISO begins operations. The Committee debated the mechanism by which funding would be accomplished in the future. The Compliance Filing has expenses being shared equally by each Member of the NYSRC, except for the Unaffiliated Members. This results in a 1/11 share for each affiliated member or a 1/10 share for each affiliated member once the Consolidated Edison, Orange and Rockland merger is completed.

Mr. Bush suggested that it might be appropriate to fund the NYSRC by an uplift charged to load, in a manner similar to that being developed by NERC and NPCC. Mr. Gioia stated that this would require a filing at FERC to accomplish, but it would likely be accepted. The Committee decided to approach the NYISO Board to see if they would be willing to act as agent in collecting such an uplift prior to proceeding any further. Mr. Bush pointed out that ISO New England performs a similar function for collection of NEPOOL expenses. There was general consensus that the approach stated in the Compliance Filing is appropriate for the presently envisioned level of expenditure.

The Committee reviewed and updated the budget proposals contained in the report "Functional Responsibilities of the New York State Reliability Council," dated January 18, 1999. This resulted in the following budget proposal for the remainder of 1999:

Proposed 1999 budget (through December 31, 1999):

Expenses for Unaffiliated Members	\$100,000
Salaries	\$0
Legal and Consulting Services	\$140,000
Office Equipment	\$10,000
Supplies	\$10,000
Meeting Expenses	\$10,000
NPCC Assessment	\$25,000
Contingency	<u>\$5,000</u>
Total	\$300,000

Mr. Casazza moved that this budget be approved, and forwarded to the NYISO Transition Steering Committee for their consideration - **AI #1-11**. Mr. Sasson seconded the motion which was unanimously approved.

The Committee discussed the desirability of retaining the services of an accounting firm in order to keep track of the NYSRC's finances. It was felt that a firm located in or around Albany, with a small business emphasis would be appropriate. Mr. White agreed to contact the firm of Urbach, Kahn, and Werlin for an estimate of the cost to provide this service - **AI #1-12**.

8.0 Meeting Schedule

The following dates for future meetings were agreed to by the Committee:

June 16 in New York City , (starting at 10:00 A.M.)

July 21 at New York Power Pool, (starting at 9:30 A.M.)

August 11 in New York City (starting at 10:00 A.M.)

Mr. Bush stated that his sector believes that NYSRC meetings should be open to anyone who would like to observe, in a fashion similar to that adopted by NERC and NPCC. There was support for this position since the Committee can meet in executive session if required. It was stated that any confidentiality issues related to sensitive data being required for reliability analyses would have to be addressed. No final decision was made.

The Meeting was adjourned at 3:20 PM.

Respectfully Submitted,

Timothy R. Bush
Secretary Pro Tem

Revised by: Joseph C. Fleury
Secretary