

Minutes
New York State Reliability Council, L.L.C. (“NYSRC”)
Executive Committee
Meeting No. 32 - December 14, 2001
Albany Country Club - Voorheesville, NY

Members and Alternates:

Richard J. Bolbrock	Long Island Power Authority (“LIPA”)
William H. Clagett	Unaffiliated Member - Chairman
Roger E. Clayton	Wholesale Seller’s Sector; PG&E National Energy Group *
Mark J. Cordeiro	Muni. & Elec. Cooperative Sector; PLM, Inc
Herbert Schrayshuen	Niagara Mohawk Power Corp.(“NMPC”) – Alternate *
Joseph C. Fleury	New York State Electric & Gas Corporation - Secretary
H. Kenneth Haase	New York Power Authority (“NYPA”) – Vice Chairman
John D. Hauber	Rochester Gas & Electric Corporation (“RG&E”)
George C. Loehr	Unaffiliated Member *
Michael B. Mager	Large Consumer’s Sector; Couch, White, LLP - Alternate
Kenneth A. Mennerich	Central Hudson Gas & Electric Corporation (“CHG&E”)
John Muir	Consolidated Edison Co. of N.Y., Inc.- (for L. Tai)
Anthony M. Giasi	Consolidated Edison Co. of N.Y., Inc.- (for M. Sasson) *

Others

John M. Adams	New York Independent System Operator (“NYISO”)
Alan M. Adamson	Consultant
Paul L. Gioia	LeBoeuf, Lamb, Greene & MacRae (“LLG&M”)
Edward C. Schrom, Jr.	NYS Department of Public Service (“NY DPS” or “PSC”)

Visitors - Open Session

Erin P. Hogan, P.E.	NYSERDA – Energy Analysis
Liam Baker	Orion Power – by phone

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

Agenda Items - (Item # from Meeting Agenda)

I. Executive Session - Executive Sessions were conducted before and after the Open Session to address: (1) Proposed Reliability Rules – Local Reliability Rules No. 3 & 5; (2) the Statewide Installed Reserve Margin Study; and (3) FERC/NPCC issues.

II. Open Session

1.0 Introduction

1.1 Meeting Attendees - Twelve (12) Members/Alternate Members of the NYSRC Executive Committee (“Committee”) were in attendance.

1.2 Requests for Additional Agenda Items - The Committee reviewed the agenda and no new items were added. Mr. Bolbrock moved that the agenda be approved, which was seconded by Mr. Loehr, and approved unanimously by the Committee Members in attendance (12 to 0, 1 absent).

2.0 Meeting Minutes/Action Items List

2.1 Approval of Minutes for Meeting No. 31 (November 9, 2001) – After brief discussion by the Committee, Mr. Clayton moved that the Committee approve the Draft Minutes for Meeting No. 31, as modified by the Committee, which was seconded by Mr. Mennerich, and approved unanimously by the Committee Members in attendance (12 to 0, 1 absent). The Secretary shall issue the final minutes for Meeting No. 31 and post them on the NYSRC web site - **AI #32-1**.

2.2 Action Items List - The Committee reviewed the Outstanding Action Items List. Items were discussed under their respective Agenda Items below.

3.0 Organizational Issues

3.1 NYSRC Treasurer's Report – Mr. Adamson presented the Treasurer's Report to the Committee.

- i. Summary of Receipts & Disbursements** – Mr. Adamson presented the November 2001 Summary of Receipts and Disbursements, noting that as of December 8, 2001, the NYSRC has a cash balance of approximately \$126,000. Mr. Adamson's projections indicate that NYSRC expenditures for 2001 should be within the approved budget and year-end balance of approximately \$80,000 is expected. Mr. Adamson requested that invoices for legal and travel expenses be submitted by December 21, 2001, so that they can be paid in 2001.
- ii. 2002 Monthly NYSRC Cash Flow/Membership Fee & 1st Quarter Assessments** – Mr. Adamson summarized the 2002 Monthly NYSRC Cash Flow diagram, noting that the cash flow assumes a balance of \$80,000 on January 1, 2002. After discussion, Mr. Bolbrock moved that Mr. Adamson issue a Call for Funds to collect the \$5,000 annual membership fee for 2002 from all ten (10) Affiliated Members, along with the first quarter assessment of \$20,000 from the seven (7) Transmission Owners, all due January 1, 2002. The motion was seconded by Mr. Haase and approved unanimously by the Committee Members in attendance (12 to 0, 1 absent). Mr. Adamson shall issue the Call for Funds - **AI #32-2**. Future 2002 quarterly assessments will be determined at a later date.
- iii. Draft Engagement Letters for Accounting, Tax & Auditing Services** - The Committee reviewed and discussed the two draft engagement letters for accounting, tax and auditing services to be provided by Urbach Kahn & Werlin, PC ("UK&W") in 2002. The total estimate for these services in 2002 is \$20,000. Mr. Bolbrock moved that the engagement letters be approved and executed by Mr. Clagett, which was seconded by Mr. Loehr, and approved unanimously by the Committee Members in attendance (12 to 0, 1 absent). Mr. Schrayshuen recommended and the Committee agreed that by the end of 2002, competitive quotes shall be solicited from UK&W and other accounting firms for these services.

4.0 Reliability Rules Subcommittee Status Report/Issues

4.1 Subcommittee Status Report & Discussion Items - Mr. Clayton reported that the Reliability Rules Subcommittee (“RRS”) last met on December 6, 2001. The main topics of discussion during the meeting were: (1) Revision No. 2 to the NYSRC Reliability Rules; (2) the proposed revisions to Local Reliability Rules No. 3 & 5; and (3) the 2002-2003 Statewide Installed Reserve Margin (“IRM”) Study (reference Item 5.1, i.). Mr. Clayton noted that the next RRS meeting is scheduled for on January 3, 2002.

4.2 Status of New/Revised Reliability Rules

- i. Revision No. 2 to NYSRC Reliability Rules** - Mr. Clayton provided a status report on the preparation of Revision No. 2 to the NYSRC Reliability Rules, noting that a revised draft dated December 6, 2001 was submitted to the Committee for approval. Mr. Clayton noted that with the exception of Local Reliability Rules No. 3 & 5 and the proposed measurements for Local Reliability Rules (reference 4.2, ii, b), the latest draft includes the following that have been previously approved by the Committee: (1) existing reliability rules not being revised at this time and new reliability rules, (2) revisions to existing reliability rules, and (3) new measurements. Mr. Gioia provided comments and the Committee discussed several items in the draft document, discussed below. After the discussion, the Committee agreed that Revision No. 2 will not be issued at this time and that Messrs. Gioia, Adamson, and Clayton shall meet to discuss the entire document and issue another revised draft to the Committee for review and approval – **AI #32-3**.

Revision No. 2 Issues:

- (1) Exceptions to NYSRC Reliability Rules (“Exceptions”) - Mr. Clayton reported on the status of **AI #31-4**, noting that references were forwarded to the NYISO System Operations Advisory Subcommittee stating that the NYSRC must approve any new Exceptions or revisions to existing Exceptions. Mr. Adams noted that the NYISO acknowledges this requirement for NYSRC approval, as long as any changes are reviewed and approved by the NYISO Operating Committee. Mr. Schrayshuen recommended and the Committee agreed to have the RRS develop a new draft NYSRC Policy for the handling of requests for Exceptions or revisions to existing Exceptions – **AI #32-4**. Revisions to sections 8 and 9 of the Introduction to Revision No. 2 are also required.
- (2) Section V – Summary of System Conditions for Operating States of the NYS Bulk Power System – The Committee agreed that the RRS shall review the changes made by the NYISO to this Table, which is included in NYISO manuals, to determine if the changes impact any of the NYSRC Reliability Rules – **AI #32-5**.
- (3) Installed Reserve Margin/Installed Capacity Requirements – Revisions shall be made to Section A to include the equation showing the relationship between Installed Reserve Margin and Installed Capacity Requirements – under **AI #32-3**.

ii. Proposed NYSRC Reliability Rule Revisions

- a. List of Potential Reliability Rule Changes** - Mr. Clayton reviewed the latest List of Potential Reliability Rule Changes, providing a status of the Priority 1 rules and noting that

the RRS is reviewing Priority 2 rules.

- b. Status of New/Revised Reliability Rules** – Mr. Clayton reported that Proposed Reliability Rules (“PRR”) #43, 45 & 45A (RR01-15, 17 & 18), dealing with Local Reliability Rules (“LRR”) No. 3 & 5, have been posted on the NYSRC web site for comments, and comments were received from Independent Power Producers of New York (“IPPNY”) and NYSEG. No consensus was reached by the RRS, with a majority of the RRS members agreeing to send the PRRs to the Committee with no revisions. Mr. Clayton also noted that IPPNY sent a letter to the Committee dated December 13, 2001, requesting that a working group be established, including representatives from the NYISO, NYSRC, and Market Participants to develop proposed reliability rule revisions to LRRs No. 3 and 5, and to delay issuing the revised LRRs until the NYSERDA/NYISO Gas Study is completed. Mr. Clayton reported that during the Executive Session, the Committee: (1) remanded PRRs #45 and 45A to the RRS for further consideration, (2) left the decision whether or not to wait for the results of the NYSERDA/NYISO Gas Study up to the RRS, and (3) not to hold up issuing Revision No. 2 until the revisions to LRRs No. 3 and 5 are approved – **AI #32-6**. The Committee agreed to have Mr. Gioia prepare a response to IPPNY stating that the Committee has remanded the proposed revisions to LRRs No. 3 and 5 to the RRS for further consideration – **AI #32-7**. The Committee also discussed PRR #43 with the measurements for all LRRs and agreed to revisions to measurements M1 and M2. Mr. Clayton moved that the Committee approve PRR #43 as modified, for inclusion in Revision No. 2, which was seconded by Mr. Bolbrock and approved unanimously by the Committee Members in attendance (12 to 0, 1 absent). Messrs. Adamson and Clayton shall revise PRR #43 and forward to the Secretary for final posting – **AI #32-8**. Mr. Baker requested that all generators impacted by the Con Edison and LIPA studies associated with LRRs No. 3 and 5, be provided copies of the studies.
- c. Generation Deliverability & Transmission Expansion – Status of Deliverability Issues Study** – No update was provided on the Deliverability Issues Study to be started by the Installed Capacity Working Group during the first quarter of 2002.

5.0 Installed Capacity Working Group Status Report/Issues

5.1 ICWG Status Report & Discussion Items – Messrs. Clayton and Adamson reported on the activities of the Installed Capacity Working Group (“ICWG”). The ICWG’s main focus has been the completion of the 2002-2003 Statewide IRM Study (“Study”).

- i. Status of Statewide IRM Study** - Mr. Clayton reported that the ICWG completed the Study, which was reviewed and revised by the RRS and sent to the Committee for approval. Messrs. Adamson, Clayton and Cordeiro summarized and answered questions from the Committee on the Draft Study Report. The RRS/ICWG recommended that the statewide IRM for the capability year from May 1, 2002 through April 30, 2003, remain at 18%, based on the Study results, improved modeling and assumptions to more accurately simulate actual operating conditions and system performance, and the numerous sensitivity

studies evaluated. After discussion by the Committee, Mr. Clayton presented the Draft Resolution to adopt the RRS/ICWG recommendation. Revisions to the Draft Resolution were suggested. A motion was introduced by Mr. Clayton to adopt the Draft Resolution as modified by the Committee, recommending an 18% statewide IRM, which was seconded by Mr. Bolbrock, and approved unanimously by the Committee Members in attendance (12 to 0, 1 absent). Mr. Bolbrock recommended that the ICWG, RRS, and Committee consider revising the assumptions for the next study to include a reliability criteria of one (1) day in 15 or 20 years, and no voltage reduction implementations. The following action items were assigned by the Committee: (1) Mr. Adamson and NYISO Staff shall finalize the Study Report and Resolution and forward to the Secretary for posting on the NYSRC web site - **AI #32-9**; (2) Mr. Adamson shall finalize the transmittal letter to send the Final Study Report to the NYISO and forward to the Secretary - **AI #32-10**; (3) Mr. Loehr shall draft a Press Release - **AI #32-11**; and (5) Mr. Gioia shall draft an informational filing letter to FERC - **AI #32-12**.

6.0 Reliability Compliance Monitoring Subcommittee Status Report/Issues

6.1 Status Report & Discussion Items - Mr. Adamson reported that the Reliability Compliance Monitoring Subcommittee (“RCMS”) last met on December 13, 2001. Mr. Adamson briefly summarized some of the RCMS discussion topics. The next RCMS meeting is scheduled for January 10, 2002.

6.2 Status of NYSRC Reliability Compliance Program (“NYRCP”)

- i. 2001 NYRCP Responsibilities & Milestones** - Mr. Adamson briefly summarized the latest Responsibilities & Milestones document. The Committee discussed Assessment No. 5 regarding Transmission Owner Restoration Plans. Mr. Schrayshuen requested that Footnote #12 on the Responsibilities & Milestones document be revised to accurately represent that the NYISO didn't request the restoration plans from the Transmission Owners until October 29, 2001, and that a response date of November 21, 2001 was requested.
- ii. 2001 NYRCP Assessments** - Mr. Adamson reported that there were no new Compliance Monitoring Assessment Forms issued to the Committee by the RCMS.
- iii. NYRCP Sample Compliance Template** – Mr. Adamson reported that the RCMS is currently preparing Compliance Templates and are scheduled to provide a complete set of Compliance Templates to the Committee for review and approval in April 2002. The Committee briefly discussed sanctions to address non-compliance with the NYSRC Reliability Rules and Measurements.
- iv. 2002 NYRCP Proposed Assessments** – A draft of the 2002 NYRCP Assessments listing all assessments to be completed by the RCMS in 2002 was distributed to the Committee and briefly summarized by Mr. Adamson. The Committee shall review the document and be prepared to discuss and approve the proposal at the next meeting – **AI #32-13**.

6.3 Other RCMS Issues

- i. NYISO Review of Non-ICAP Provider Obligations Under Emergencies** - Mr. Adams

reported that the results of the NYISO Staff's and Counsel's review of whether the NYISO Tariffs and Agreements stipulate any obligations by non-ICAP providers during system emergencies, should be issued in the next couple of weeks - continuation of **AI #23-7**.

ii. Day-Ahead Unit Commitment - Minimum Downtime Limits Issue - Mr. Adamson reported that the RCMS' preliminary findings indicate that the NYISO is in compliance with the following issues as part of its 2001 NYRCP: (1) whether the NYISO complies with the NYISO Tariff requirements for both the day-ahead (overnight) and 2-7 day unit commitment process to maintain generation needed for reliability, while meeting the minimum down time requirements, and (2) whether the NYISO unit commitment process can meet all reliability requirements, without intervention by the Transmission Owners – continuation of **AI #29-9**.

iii. RCMS Audit of Documentation During Assessments – Mr. Adamson reported that the RCMS may require an audit of confidential information submitted by parties to verify compliance with NYSRC Reliability Rules/Measurements. Messrs. Adamson and Vitale have signed confidentiality agreements.

7.0 NYISO Studies - Status Report - Mr. Adams reported to the Committee on the following NYISO studies:

7.1 NYISO Transmission Reliability Study - NYISO Staff presented the annual transmission reliability assessment (“ATRA”) to the RCMS on December 13, 2001. The RCMS will review and provide comments on the report. Following approval by the RCMS, the NYISO will request approval by the NYISO Operating Committee and the NYSRC.

7.2 NYISO Reactive Resource Adequacy Study – Nothing new to report. The NYISO is developing a “going forward plan” and is expected to issue an interim report.

7.3 NYSERDA/NYISO Gas Study - The consultant completed the first deliverable of the study in October. A meeting was held at NYSERDA the week of November 12th.

7.4 Other Studies – Mr. Adams reported that NYISO staff is working on the compliance filing as a result of FERC's ruling in the cost allocation study, overturning the NYISO Board's decision on the threshold amount.

8.0 Other Issues

8.1 Millennium Gas Pipeline Proceeding – Mr. Gioia's noted that FERC has the Millennium Pipeline Company (“Millennium”) Gas Pipeline Proceeding on its agenda for December 19, 2001.

8.2 Reliability Legislation Update – Mr. Gioia reported that the latest Senate reliability legislation introduced by Daschal and Bingham (Energy Policy Act of 2002) gives FERC the authority to adopt reliability rules from NERC, any regional reliability council, any other similar reliability organization or state regulatory authority. The latest House Bill is under criticism due to the Enron events.

8.3 NY State Energy Plan – Mr. Adams reported that the draft NY State Energy Plan was approved by the NYS Energy Board on December 11, 2001, and will be available the week of December 17, 2001. Ms. Hogan was asked to see if NYSERDA staff could present the draft plan to the Committee at the January 11, 2002 meeting – **AI #32-14**.

8.4 NYISO Operations Report - The Secretary distributed the operations report for November 2001, noting that there were no Major Emergencies declared during the month. Mr. Haase requested that a comparison of 2000 and 2001 operating information be prepared – **AI #32-15**.

8.5 FERC ANOPR on Generator Interconnections – Mr. Adams reported on the status of the activities being completed for FERC’s Advanced Notice of Proposed Rulemaking (“ANOPR”) proposing a standard generation interconnection agreement and procedures.

8.6 NY Delegation Letter to DOE – Mr. Gioia briefly summarized the issues mentioned in the November 14, 2001 letter from the NY Delegation to the Department of Energy outlining concerns regarding the formation of a single Northeast Regional Transmission Organization.

8.7 Long Island Sound Cable Project – Mr. Bolbrock reported that the Connecticut Siting Board has signed off on the proposed project and an order is expected in early January 2002.

9.0 Visitor Comments

Mr. Clagett solicited comments from the visitors participating in the meeting. Mr. Baker encouraged the RRS to work closely with the generators and to address all of the concerns raised by IPPNY regarding the Local Reliability Rules No. 3 and 5.

10.0 Meeting Schedule

<u>Mtg No.</u>	<u>Date</u>	<u>Location</u>	<u>Time</u>
#33	Jan. 11	NYISO Power Control Center, Guilderland, NY	9:30 A.M.
#34	Feb. 8	Albany Country Club, Voorheesville, NY	9:30 A.M.
#35	Mar. 8	Albany Country Club, Voorheesville, NY	9:30 A.M.

The Open Session of Committee Meeting No. 32 was adjourned at 3:05 PM.

Completed By: Joseph C. Fleury - Secretary

Final Issue Date: January 11, 2002