

Minutes
New York State Reliability Council (“NYSRC”)
Executive Committee
Meeting No. 3 - July 21, 1999
New York Power Pool - Power Control Center
Guilderland, N.Y.

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
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.
Robert M. Loughney	Retail Sector, Couch, White, LLP (Alternate)

Others

John P. Buechler *	New York Power Pool (“NYPP”)
Mike Calimano *	NYPP
John M. Adams	NYPP (Alternate)
Alan Adamson	Consultant
Paul L. Gioia *	LeBoeuf, Lamb , Greene & MacRae, LLP (by phone)
Alice M. Stuart *	LeBoeuf, Lamb , Greene & MacRae, LLP (by phone)
Keith O’Neal	New York Public Service Commission (“PSC”)

* - Denotes in attendance only part time.

Agenda Items - (Item # from Meeting Agenda)

1.0 Introduction

Copies of the revised Committee Membership Roster were distributed, along with various NPCC documents.

2.0 Approval of June 21, 1999 Minutes - Meeting No. 2

After Committee discussion, Mr. Clayton moved that the Minutes from the Meeting No. 2 be approved with minor revisions, which was seconded by Mr. Sasson, and carried unanimously by the Committee. The Secretary will modify the minutes as discussed and issue - **AI #3-1**.

Mr. Gioia summarized his conversations with L. Anderson at the FERC and noted that the Secretary shall send a copy of all Committee meeting notices, agendas, and final minutes to Mr. Anderson, who will distribute as needed within the FERC. The Secretary shall send a copy of the final minutes from Meeting Nos. 1 and 2 immediately - **AI #3-2**.

2.1 Action Items List

A revised Action Items List dated July 21, 1999 was distributed. Mr. Casazza requested that two Action Items be added from Meeting No. 1 to cover (1) the Committee's active role in developing templates and procedures that the NYISO will use for compliance reporting from the market participants (**AI #1-13**) to be completed by the Compliance Monitoring Subcommittee, and to develop procedures for insuring that any confidentiality requirements are met (**AI #1-14**) to be completed by P. Gioia. The Secretary will add these items to the Action Items List and insert them into the Final Minutes from Meeting No. 1 - **AI #3-3**.

3.0 Organizational Issues

3.1 Type of Corporation

Mr. Gioia and Ms. Stuart briefly summarized the issues raised in Ms. Stuart's July 7, 1999 letter regarding the formation of the NYSRC, which states that a decision to establish the NYSRC as a Limited Liability Company will require the filing of a Certificate of Formation. An Application for Authority must also be filed. Mr. Gioia shall prepare and distribute drafts of these two documents by early the week of July 26th - **AI #3-4**.

3.2 NYSRC Draft Operating Agreement/Bylaws

The Committee discussed and provided comments on the draft NYSRC Operating Agreement which establishes the NYSRC bylaws. Mr. Gioia stated that the NYSRC Operating Agreement will not need to be filed at FERC, only signed by the members. The Committee also discussed the latest filed NYSRC Agreement which establishes the NYSRC organization. The Committee discussed a concern raised regarding the scope of the NYSRC, noting that the NYSRC's scope should be limited to the bulk power system only, and should not include distribution. The definitions and mission statement within the NYSRC Agreement were reviewed, which refer to the NYS Power System and NYS Transmission System. After discussing the issue, the

Committee was satisfied that the scope and definitions adequately limit the scope to the bulk power system. The Secretary will distribute a copy of the definitions section of the NYISO Agreement to the Committee - **AI #3-5**. Additional comments on the Draft Operating Agreement shall be sent to Mr. Gioia by July 31st - **AI #3-6**.

Mr. Gioia discussed the use of the terms “Member” and “Manager” within the context of the NYSRC Agreement and NYSRC Operating Agreement, noting that “Member” refers to the person/entity signing the NYSRC Agreement, while “Manager” refers to the representative on the NYSRC Executive Committee. Mr. Gioia noted that the Transmission Owners will be Members, and the Unaffiliated Managers most likely will not be Members. Mr. Gioia indicated that if all affiliated parties (Transmission Owners, Wholesale Sellers, Large Consumers, & Municipal Electric Systems & Cooperatives) become Members of the NYSRC, NYSRC dues would be paid by all Members, thus eliminating the need for a Reimbursement Agreement. Mr. Bush, Mr. Cordiero, and Mr. Loughney need to contact Mr. Gioia and Mr. Bolbreck with a decision whether their respective sectors will become Members of the NYSRC, prior to the next Committee meeting - **AI #3-7**.

The Committee also discussed and agreed that the NYSRC should have representation at all NYISO Board of Directors meetings, since the NYISO is represented at all Committee meetings. Mr. Gioia suggested that there be an open line of communication between the NYSRC and NYISO Board. Mr. Bolbrock agreed to contact Mr. Grossi, Chairman of the NYISO Board to discuss this issue - **AI #3-8**.

The Committee agreed that the main place of business for the NYSRC, for inclusion in the Operating Agreement, shall be Albany, NY, and the address will temporarily be designated as LeBoeuf, Lamb, Greene & MacRae’s Albany address.

3.3 Tax Issues

The Committee briefly discussed the July 14, 1999 letter from J. Kenworthy of LeBoeuf, Lamb on tax issues related to the formation of the NYSRC. Comments on this letter shall be sent to Mr. Gioia by July 31st - **AI #3-9**.

3.4 Legal Counsel

The Committee discussed utilizing LeBoeuf, Lamb as NYSRC General Counsel, however, concerns were raised by Mr. Bush regarding LeBoeuf, Lamb’s involvement with the NYPP and the NYISO activities. In addition to the nomination of LeBoeuf, Lamb received during the meeting, Mr. Bolbrock requested that the Committee submit nominations for legal counsel to him prior to the next meeting - **AI #3-10**. The Committee shall also review the July 2, 1999 document from Mr. Buechler detailing the process used by the NYISO to select legal counsel for the NYSRC, and provide comments to the Secretary by July 31, 1999 - **AI #3-11**. The Agenda for the next Committee meeting shall include the legal counsel selection process and nominations for

the NYSRC Legal Counsel. The Committee shall also develop the list of duties of the NYSRC Legal Counsel - **AI #3-12**.

The Committee discussed the legal expenses to date noting that LeBoeuf, Lamb's expenses in May 1999 were approximately \$20,000. The Committee agreed that the Chairman shall review and approve all legal expenses billed to the NYSRC.

3.5 Financial Issues

a. Accounting Firm

No comments were received by Mr. Loughney or the Secretary on the June 15, 1999 "Proposal for Accounting Services" submitted by Urbach Kahn & Werlin PC. The Committee shall review the proposal and be prepared to provide positions regarding proceeding with the proposal at the next Committee meeting - **AI #3-13**.

b. Funding Mechanism

Mr. Bush and Mr. Mennerich reported that little progress was made in developing a document summarizing the various NYSRC funding mechanisms and providing a recommendation prior to August 11, 1999 Committee meeting (**AI #2-10**). Mr. Loughney expressed a concern regarding the per capita funding mechanism contained in the Draft Operating Agreement, in the event of budget overexpenditures. The Committee agreed that a mechanism must be in place for NYSRC implementation. Further discussion was tabled until the next meeting.

c. Draft Reimbursement Agreement

The Committee agreed not to discuss this document until it is determined whether the agreement is required (refer to 3.2 above).

3.6 Insurance Requirements

The Committee discussed the proposal received from Tillinghast-Towers Perrin for the insurance consultant to the NYSRC. The Committee agreed to solicit proposals from insurance consultants to some of the NYPP Member Systems. When soliciting proposals, copies of the latest NYSRC Agreement and Draft Operating Agreement shall be provided, and the consultant shall be informed that the NYSRC will be a L.L.C. when soliciting proposals - **AI #3-14**.

3.7 NPCC Membership

The Secretary distributed a draft NPCC membership application for the NYSRC. The Committee discussed when the application for the NYSRC's membership in NPCC should be filed. After Committee discussion, Mr. Clagett moved that the membership application be

submitted to NPCC as soon as possible. The motion was seconded by Mr. Casazza and carried unanimously by the Committee. The Secretary shall finalize the membership application, send the application to Mr. Gioia for review and to Mr. Bolbrock for signature - **AI #3-15**. The NYSRC representative on the NPCC Executive Committee will be the Chairman, Mr. Bolbrock, and the Vice Chairman, Mr. Clagett, will serve as Alternate.

The Committee discussed concerns surrounding when the NYSRC should officially start, based on the scheduled two week transition period of the NYISO and the potential of reverting back to the current NYPP system in case problems arise with the new system. Mr. Gioia shall provide a recommendation regarding: (1) when should the NYSRC start; (2) if the NYSRC is in place, what happens if it is necessary to revert back to the current NYPP system; (3) what liabilities does the NYSRC have if we revert back to the current NYPP system and a blackout occurs; and (4) what will be the process for executing all NYSRC and NYISO documents - **AI #3-16**.

3.8 Process for Filling O&R Vacancy on Committee

The Committee discussed the process for filling the vacancy created by the finalization of the Con Edison/O&R merger, and agreed to form a nominating committee to develop a list of unaffiliated candidates and provide a recommendation to the Committee. The nominating committee of Mr. Clagett, Mr. Sasson and Mr. Loughney, shall obtain potential candidate names and information from the original selection process from the Secretary and Mr. Bolbrock, provide names of candidates to the Committee within two weeks, contact candidates to determine if they are interested in the position, conduct interviews, and provide a recommendation to the Committee - **AI #3-17**.

3.9 Other

Mr. O'Neal raised the issue of whether the Committee should operate under a code of conduct similar to the NYISO Board. Specifically, is there a problem if a Committee Manager from one of the Transmission Operators works with, is a supervisor of, or a subordinate of a representative on an NYISO committee? Mr. Gioia shall provide a recommendation as to whether a code of conduct is required and whether there is a problem with this specific issue - **AI #3-18**.

4.0 Reliability Rules Subcommittee

4.1 Subcommittee Status Report

Mr. Sasson provided a status report on the activities of the Reliability Rules Subcommittee ("RRS"), noting that the RRS has met on July 12th and is scheduled to meet again on July 26th. Members of the RRS include Mr. Sasson (Chair), Mr. Clayton (Secretary), Mr. O'Neal, Mr. Eng, S. Corey - NYPP/NYISO, and Mr. L. Hochberg - NYPA. Mr. Sasson shall provide an RRS membership roster and a brief summary of the RRS members' qualifications to the Secretary - **AI**

#3-19.

4.2 Draft Scope #2

The Committee discussed the Draft Scope #2 of the RRS and provided revisions to be incorporated into the document. Mr. Casazza moved that the Draft Scope be adopted as amended, which was seconded by Mr. Clagett, and carried unanimously by the Committee. Mr. Adamson shall incorporate the comments into the Final Scope and issue to the Committee - **AI #3-20**.

4.3 Reliability Rules

i. Status - Mr. Sasson noted that the main objective of the RRS is to produce a final set of Reliability Rules prior to the implementation of the NYISO scheduled for September 1, 1999. In accomplishing this activity, the RRS will perform due diligence through the identification of existing rules, procedures, practices or FERC/PSC rulings that can provide a basis for establishing the existence of a reliability rule. Mr. Casazza raised a concern that the current draft of the "NYSRC Reliability Rules for Planning and Operating the New York Bulk Power System," dated June 11, 1999, may need some revision. After extensive discussion, the Committee agreed that the Reliability Rules will be reviewed by the Committee on an ongoing basis and modified, if required. However, the current Reliability Rules were deemed adequate for the interim and shall be adopted by the Committee, in accordance with the NYSRC Agreement. The transmittal letter issuing the rules shall convey that the rules are interim rules, and are being issued in accordance with the NYSRC Agreement. Mr. Casazza and Mr. Clagett shall review the current Reliability Rules and submit a list of areas requiring additional work - **AI #3-21**. The RRS shall finalize the Interim Reliability Rules and present to the Committee for adoption at the next Committee meeting - **AI #3-22**.

ii. Posting of Interim Reliability Rules - Mr. Gioia recommended that the Interim Reliability Rules should be filed at the FERC and PSC for informal purposes and posted on the NYISO website, as soon as they are adopted by the Committee. After discussing, the Committee agreed that the Interim Reliability Rules shall be posted on the NYSRC's website. Mr. Bolbrock and the Secretary will investigate establishing an NYSRC website - **AI #3-23**. The Secretary shall develop a document detailing the process for processing, maintaining, filing and posting the Reliability Rules - **AI #3-24**.

4.4 Installed Capacity Working Group

Mr. Cordeiro provided a status report on the activities of the Installed Capacity Working Group ("ICWG"). Members of the ICWG include Mr. Cordeiro (Chair), Mr. O'Neal, Mr. Eng, Mr. Clayton, D. Kerr - NYPA, A. Desell - NYPP/NYISO, and M. Hogan - Central Hudson. Mr.

Cordeiro shall provide an ICWG membership roster and a brief summary of the ICWG members' qualifications to the Secretary - **AI #3-25**.

The Committee discussed a concern raised by Mr. O'Neal that rules are in place for providing installed capacity, however, there are no penalties in place to impose on market participants who violate the rules. Mr. Buechler shall report this concern to the NYISO Board - **AI #3-26**. It was agreed that the Committee should be involved in the NYISO's process for addressing these and other issues raised by the Committee. The Committee shall develop a process for coordinating with the NYISO to address concerns raised by the Committee - **AI #3-27**.

i. NYPP Triennial Review of Resource Adequacy Report - Mr. Adams reported that the comments submitted by Mr. Casazza on the Report will be used to prepare a draft white paper to address resources adequacy assessments and issues raised by Mr. Casazza, and will be submitted to the ICWG - **AI #3-28**.

5.0 Compliance Monitoring Subcommittee

5.1 Subcommittee Status Report

Mr. Bush provided a status report on the activities of the Compliance Monitoring Subcommittee ("CMS"). Members of the CMS include Mr. Bush (Chair), M. DeLaura - NYPA, G. Campoli - NYPP/NYISO, K. O'Neal, D. Raymond, F. Lembo - Con Edison and a representative from the Municipal Electric Systems & Cooperatives. Mr. Bush shall provide an CMS membership roster and a brief summary of the CMS members' qualifications to the Secretary - **AI #3-29**.

Mr. Bolbrock raised the issue of whether the NYISO should have a representative on the CMS. The Committee thoroughly explored this issue and agreed that the NYISO should be represented on the CMS. The Committee felt that any issue that is inappropriate for discussion with the NYISO representative present, shall be discussed by the CMS in an executive session. The Committee also agreed that the NYISO representatives on the CMS and RRS will not be allowed to submit minority reports.

5.2 Draft Scope

The Committee discussed the Draft Scope #2 of the CMS and provided revisions to be incorporated into the document. Mr. Casazza moved that the Draft Scope be adopted as amended, which was seconded by Mr. Claggett, and carried unanimously by the Committee. Mr. Adamson shall incorporate the comments into the Final Scope and issue to the Committee - **AI #3-30**.

6.0 Summary of Recent NYPP Events

Mr. Calimano provided a summary of events occurring on the NYPP system in early June and

July as a result of the heat wave in the Northeast. New peak loads were established in both the NYPP and PJM on July 7th. NYPP staff is currently preparing a report on these events for the NYPP Operating Committee.

6.1 Con Edison Events

No information was reported on the events which occurred on Con Edison's system in early July.

7.0 Proposed NERC/NAERO Legislation

Mr. Casazza distributed copies of, and briefly summarized the draft NERC/NAERO legislation which is part of an electric restructuring bill being pushed at the federal level to standardize how reliability rules are to be established and implemented throughout the country. The Committee discussed the need to clarify that the proposed legislation does not prohibit or inhibit the formation and operation of the NYSRC. Mr. Gioia shall review the draft legislation, check on the status of the legislation, and determine the Committee's best course of action to take - **AI #3-31**.

8.0 Meeting Schedule

At the request of Mr. Casazza, the Committee discussed and agreed to expand Meeting No. 4 to two days, August 11th & 12th. The date for the October meeting was also set. The following are the scheduled dates for future Committee meetings:

<u>Mtg No.</u>	<u>Date</u>	<u>Location</u>	<u>Time</u>
#4	Aug. 11/12	NPCC Offices, New York City	10 AM (8/11) 8AM-2PM (8/12)
#5	Sept. 10	NYPP Power Control Center, Guilderland	9:30AM
#6	Oct. 6	NYPP Power Control Center, Guilderland	9:30AM

The Secretary will contact the NPCC and NYPP to arrange for conference room facilities, refreshments, and lunch - **AI #3-32**.

Mr. Loughney requested that all future email messages and faxes be sent to all Committee Members and Alternates.

Mr. Bush made a recommendation to establish a dial-in telephone number to allow any market participant to listen to all future Committee meetings. After brief discussion, the Committee agreed to consider the implementation of this recommendation starting with the September Committee meeting. Mr. Bush shall investigate the technical requirements and prepare a proposal for the next Committee meeting - **AI #3-33**.

The Committee agreed to business casual attire for all future meetings until further notice.

The Committee Meeting No. 3 was adjourned at 4:20 PM.

Completed By: Joseph C. Fleury - Secretary

Final Issue Date: August 12, 1999