

Minutes
New York State Reliability Council (“NYSRC”)
Executive Committee
Meeting No. 4 - August 11 & 12, 1999
NPCC Offices - New York City

Members and Alternates:

Richard J. Bolbrock	Long Island Power Authority (“LIPA”)
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) (8/12)
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
P. Donald Raymond *	Niagara Mohawk Power Corporation (By Phone - 8/11)
Mayer Sasson	Consolidated Edison Co. of New York, Inc. (“Con Edison”)
Vid Varneckas *	Con Edison (Alternate) (8/11)
Robert M. Loughney	Retail Sector, Couch, White, LLP (Alternate)

Others

John M. Adams	New York Power Pool (“NYPP”) (Alternate)
Paul L. Gioia *	LeBoeuf, Lamb, Greene & MacRae, LLP (“LLG&M”) (8/11)
Keith O’Neal	New York Public Service Commission (“PSC”)
Ed Schwerdt *	Northeast Power Coordinating Council (“NPCC”) (8/12)

* - Denotes in attendance only part time.

Agenda Items - (Item # from Meeting Agenda)

1.0 Introduction

Copies of the revised Committee Membership Roster were distributed.

2.0 Approval of July 21, 1999 Minutes - Meeting No. 3

After Committee discussion, Mr. Sasson moved that the Minutes from Meeting No. 3 be approved with minor revisions, which was seconded by Mr. Casazza, and carried unanimously

by the Committee members in attendance (11 to 0, 1 absent). The Secretary will modify the minutes as discussed and issue - **AI #4-1**.

2.1 Action Items List

A revised Action Items List dated August 11, 1999 was distributed and items were reviewed during discussion of their respective Agenda item.

3.0 Organizational Issues

3.1 NYSRC Certification of Formation, Application of Authority

Mr. Gioia briefly reviewed the draft documents transmitted in his July 23, 1999 email. Comments on these documents shall be sent to Mr. Gioia by August 20, 1999 - **AI #4-2**. After discussion by the Committee, Mr. Casazza moved to authorize Mr. Gioia to sign the Certificate of Formation and Application of Authority and file both documents establishing the NYSRC as a Limited Liability Company ("L.L.C."). The motion was seconded by Mr. Sasson, and carried unanimously by the Committee members in attendance (11 to 0, 1 absent). Mr. Bolbrock will direct Mr. Gioia when to make the filing - **AI #4-3**.

3.2 NYSRC Draft Operating Agreement

The Committee thoroughly reviewed, discussed and provided comments on the draft NYSRC Operating Agreement which establishes the NYSRC bylaws. Mr. Gioia will incorporate the revisions agreed to by the Committee and issue a revised draft by no earlier than August 13, 1999 - **AI #4-4**.

The Committee discussed the issue of whether the three non-Transmission Owner, affiliated parties represented on the Committee (Wholesale Sellers, Large Consumers, & Municipal Electric Systems & Cooperatives) will become Members of the NYSRC ("Member" refers to the person/entity signing the NYSRC Agreement, while "Manager" refers to the representative on the NYSRC Executive Committee). Mr. Bush stated that the Wholesale Seller's sector will become a Member of the NYSRC, and that it is their opinion that if a sector wanted to be a Manager on the Committee, then the sector should be a Member of the NYSRC. Mr. Cordeiro and Mr. Loughney both stated that at least initially it is not the intention of their sectors, the Municipal Electric Systems & Cooperatives and the Large Consumers, respectively, to become Members of the NYSRC, however, both will sign the Reimbursement Agreement. Based on the decisions made by the three parties, Mr. Gioia will modify the Operating Agreement accordingly. Since all three parties will not become Members of the NYSRC, the Reimbursement Agreement will need to be executed.

3.3 NYSRC Start-up Date & Issues

Mr. Gioia stated that, based on an NYISO start-up date of September 1, 1999, the following NYSRC documents need to be finalized: (1) Interim Reliability Rules - approved by the NYSRC; (2) Certificate of Formation - signed and filed; (3) Application of Authority - signed and filed; (4) NYSRC Operating Agreement - executed; and (5) NYSRC Reimbursement Agreement - executed. The NYSRC Agreement and NYISO/NYSRC Agreement will not be executed until after the two-week NYISO cutover period. Upon NYISO start-up, the NYISO shall operate under the Interim Reliability Rules. If, for any reason, the NYISO must revert back to NYPP operations, the NYSRC will have no liabilities during that period under NYPP operation.

3.4 Tax Issues

Mr. Gioia reported to the Committee that J. Kenworthy of LLG&M is preparing the tax exempt filing document for submission to the IRS. It is recommended that a pre-submission conference be held with the IRS to discuss the NYSRC and its responsibilities. Mr. Gioia shall (1) provide a draft of the IRS document to the Committee for review; (2) provide a recommendation on whether the filing is required prior to the September 1, 1999 NYISO start-up date; and (3) determine whether the tax exempt status is impacted by the type of NYSRC funding mechanism to be implemented - **AI #4-5**.

3.5 Legal Counsel

The Committee discussed utilizing LLG&M as NYSRC General Counsel, along with other nominations that were submitted for Dickstein, Shapiro; Latham & Watkins; Swidler & Berlin; and Sidley & Austin. Mr. Bush stated that he would not be concerned with Mr. Gioia of LLG&M being the NYSRC legal counsel, as long as Mr. Gioia personally would commit to no longer represent the NYPP Member Systems and the Energy Association (LLG&M can continue to represent the NYPP Member Systems and the Energy Association). The Committee officers (Bolbrock, Clagett, & Fleury) shall contact Mr. Gioia to discuss whether he will agree to be the NYSRC legal counsel under the terms described above, and if so, to request a budget for legal expenses for 2000 - **AI #4-6**. If Mr. Gioia does not agree to be legal counsel for the NYSRC, then the Committee shall solicit proposals through a request for proposal (RFP) and develop a short list of potential firms to be considered, along with a list of duties.

The Committee discussed the legal expenses to date noting that LLG&M's expenses were approximately \$20,000 in May, and \$15,000 in June 1999.

3.6 Financial Issues

a. Accounting Firm

Mr. Sasson submitted comments on the June 15, 1999 "Proposal for Accounting Services" submitted by Urbach Kahn & Werlin PC. The Committee agreed that the scope of the accounting firm must include completion of all accounting-related tasks, including, but not limited

to, issuing payments for NYSRC expenses, and preparing a annual budget and monthly variance reports. Mr. Loughney shall contact Urbach Kahn & Werlin PC to clarify the scope of responsibilities and to solicit a revised proposal, which shall include the above-noted responsibilities - **AI #4-7**. The accounting firm shall be in place by September 1, 1999. The Secretary shall contact M. Mackles/A. Ragogna at the NYPP to discuss the handling of NYSRC expenses post-NYISO implementation - **AI #4-8**.

b. Funding Mechanism

Mr. Mennerich summarized the various NYSRC funding mechanisms reviewed and provided a recommendation to the Committee to establish a two-phase funding mechanism with (1) a capped amount to be allocated on a per capita basis to all NYSRC affiliated Members, and (2) a mechanism to collect any expenditures in excess of the capped amount through an uplift charge included in the NYISO's Schedule 1 charge applied to all market participants. After extensive discussion by the Committee and two motions that were made, seconded, and later withdrawn, Mr. Raymond moved to proceed to prepare a filing to be made at FERC to fund the NYSRC expenditures through an uplift charge included in the NYISO's Schedule 1 charge applied to market participants based on a per kilowatt-hour charge; and until FERC accepts this funding mechanism, all expenditures shall be allocated on a per capita basis to all NYSRC affiliated Members, with no cap on the expenditure amount. The motion was seconded by Mr. Casazza, and carried by the Committee members in attendance by a vote of 10 to 1 (1 absent). A motion was then made by Mr. Casazza to cap the annual budget for NYSRC expenditures for the calendar year 2000 to \$550,000, only if the NYSRC funding mechanism continues to be a per capita allocation to the NYSRC affiliated Members. The motion was seconded by Mr. Loughney, and carried by the Committee members in attendance by a vote of 10 to 0, with one abstention (1 absent). Mr. Gioia shall inform the NYISO's legal counsel of the motions passed by the Committee on the NYSRC funding mechanism - **AI #4-9**. Mr. Bolbrock and Mr. Gioia will develop a strategy for moving forward to implement the funding mechanism - **AI #4-10**.

c. Draft Reimbursement Agreement

The Committee thoroughly reviewed, discussed and provided comments on the draft NYSRC Reimbursement Agreement which will be required. With regard to Article 2.03, the Committee agreed that a party will be obligated to pay its share of NYSRC costs/dues in place, or its share of the approved NYSRC budget in effect at the date the party submits its notice to withdraw from the NYSRC. Mr. Gioia will incorporate the revisions agreed to by the Committee and issue a revised draft by no later than August 13, 1999 - **AI #4-11**.

3.7 Insurance Requirements/Consultant

The Committee discussed the proposals received from Tillinghast-Towers Perrin ("TTP") and Marsh, Inc. for the insurance consultant to the NYSRC. The Committee agreed to solicit new proposals from TTP, Marsh, Inc. and LIPA's insurance consultant, to be completed by the

Secretary. When soliciting the proposals, copies of the latest NYSRC, NYISO/NYSRC, and NYISO/TO Agreements, and Draft NYSRC Operating and Reimbursement Agreements shall be provided. The consultant shall also be informed that the NYSRC will be an L.L.C. - **AI #4-12**.

3.8 NPCC Membership

The Secretary distributed the final draft of the NPCC membership application for the NYSRC. Mr. Bolbrock signed the membership application, which was then submitted to Mr. Schwerdt for processing. An invoice will be sent to Mr. Bolbrock by the NPCC for the \$5,000 membership application fee. Mr. Bolbrock shall process this invoice through M. Mackles at the NYPP/NYISO - **AI #4-13**. The NYSRC representative on the NPCC Executive Committee will be the Chairman, Mr. Bolbrock, and the Vice Chairman, Mr. Clagett, will serve as Alternate.

3.9 Selection of New Unaffiliated Member

Mr. Loughney provided a status report to the Committee on the nomination committee's activities to fill the vacancy created by the Con Edison/O&R merger. A list of unaffiliated candidates was discussed and agreed to by the Committee. The nominating committee of Mr. Clagett, Mr. Sasson and Mr. Loughney, shall contact the candidates to determine if they are interested in the position, conduct interviews, and provide a recommendation to the Committee at the next meeting - **AI #4-14**.

3.10 Committee Code of Conduct

The Committee discussed and agreed that the Committee should operate under a code of conduct similar to the NYISO Board. Specifically, the Code of Conduct should include the handling of confidential information, and ensuring that NYSRC Members do not take any action that will provide any advantage to any market participant. Mr. Gioia shall prepare a draft NYSRC Code of Conduct and submit to the Committee prior to the next meeting - **AI #4-15**.

The Committee also discussed the issue of a Committee member being a representative on one or more of the NYISO's committees. Mr. Gioia shall review the FERC orders in the NYISO proceeding to determine whether the FERC specifically referenced this requirement, which is specified in the NYSRC Agreement in Article 9.02 - **AI #4-16**. Based on Mr. Gioia's findings, the Committee shall revisit this issue upon implementation of both the NYISO and NYSRC - **AI #4-17**.

3.11 Committee Meetings - Listen-Only Phone Line

Mr. Bush reported that there are a few services including AT&T and Vialog (?) that set up listen-only phone lines, either with a toll-free number or a toll number, for use by parties to listen to a meeting. Beginning with the next meeting, the agenda will consist of both a closed session for the Committee only, and an open session for parties to listen to through the special phone line. The

Secretary will make all arrangements for the listen-only phone line, prepare the draft agenda for the open session at the next meeting, and circulate the final open session agenda to all parties - **AI #4-18**.

3.12 Communication/Coordination with NYISO

Mr. Bolbrock reported that he contacted Mr. Grossi, Chairman of the NYISO Board to discuss the issue of NYSRC representation at all NYISO Board of Directors meetings, since the NYISO is represented at all Committee meetings. Mr. Grossi agreed to raise the issue at the next NYISO Board meeting.

3.13 NYSRC Website Status

Mr. Bolbrock reported that he is in the process of meeting with LIPA's consultant and will be obtaining additional information to report at the next meeting.

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 held several meetings and conference calls to finalize its recommendation to the Committee regarding the Interim Reliability Rules, which was issued on August 10, 1999.

The Committee agreed that Mr. Adamson should continue to attend both RRS and other Subcommittee and Working Group meetings on an "as needed" basis, at the discretion of the Subcommittee and Working Group Chairmen. The Committee also agreed that Mr. Adamson's attendance at Committee meetings shall be at the discretion of the Committee Chairman.

4.2 Reliability Rules - Status

Mr. Sasson noted that the RRS' August 10, 1999 recommendation to the Committee was based on the due diligence performed by the RRS through the identification of existing rules, procedures, practices or FERC/PSC rulings, from 1961 through FERC's July 29, 1999 Order in the NYISO Proceeding, that provided a basis for establishing the existence of a reliability rule. The RRS reviewed the current draft of the "NYSRC Reliability Rules for Planning and Operating the New York Bulk Power System," dated June 11, 1999 ("Interim Reliability Rules"), and recommended minor revisions to a few of the Reliability Rules.

After extensive discussion by the Committee, Mr. Mennerich moved that the Committee adopt all Reliability Rules, as modified by the Committee during the meeting, including but not limited to: (1) the addition of text to the introduction noting that the Committee is adopting the existing

rules as Interim Reliability Rules, in accordance with the NYSRC Agreement, and will be revising these Interim Reliability Rules as required; and (2) inserting text identical to the text of Local Reliability Rule #6, to Section 4.2.1 (p.16). The motion was seconded by Mr. Sasson, and carried unanimously by the Committee members in attendance (10 to 0, with 2 absent).

The RRS shall coordinate all revisions to the Interim Reliability Rules with the NYPP and shall provide the final document to the Secretary for filing and distribution - **AI #4-19**. The Secretary shall contact Mr. Gioia and coordinate the preparation of the transmittals for filing the revised Interim Reliability Rules at FERC and the PSC - **AI #4-20**. The Secretary shall post the revised Interim Reliability Rules on the NYSRC website following the filings - **AI #4-21**.

4.3 RRS Discussion Issues

The Committee agreed to table the discussion of enhancements and modifications to the Interim Reliability Rules. The Committee also agreed that the RRS will review the comments submitted by Mr. Casazza and Mr. Clagett and commence the formation of a working group to complete further enhancements to the Interim Reliability Rules - **AI #4-22**.

4.4 Installed Capacity Working Group

a. Status Report - Mr. Cordeiro reported that the first meeting of the Installed Capacity Working Group (“ICWG”) is scheduled for August 18, 1999.

b. White Paper on Resource Adequacy Assessment - Mr. Adams reported that the list of issues that has been developed based on the comments submitted by Mr. Casazza, will be presented to the ICWG at its first meeting. These issues will be the basis for a draft white paper to address resource adequacy assessments.

Also see discussion under item 7 below.

5.0 Compliance Monitoring Subcommittee

5.1 Subcommittee Status Report

Mr. Bush reported that the members of the Compliance Monitoring Subcommittee (“CMS”) include M. DeLaura - NYPA, G. Campoli - NYPP/NYISO, K. O’Neal, D. Raymond, F. Lembo - Con Edison, and C. Engstrom from the Municipal Electric Systems & Cooperatives sector. The first meeting of the CMS will be scheduled in the near future.

6.0 Proposed NERC Legislation

Mr. Gioia 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 agreed that the NYSRC should formally respond to NERC that the proposed legislation must not prohibit or inhibit the formation and operation of the NYSRC. The Committee agreed to form a subgroup consisting of Messers Raymond, Casazza, O'Neal, Haase, Loughney, and Gioia to (1) develop a recommendation as to whether the NYSRC should file a formal response to the draft legislation, (2) if so, formulate a strategy for an NYSRC response, (3) draft language to be added to the legislation (Mr. O'Neal), and (4) determine whether the NYSRC should file the Interim Reliability Rules within 90 days from enactment of the draft legislation - **AI #4-23**.

7.0 Other Issues

7.1 System Adequacy Studies

Mr. Schwerdt summarized the proposal to be presented to the NPCC RCC at their November meeting recommending the completion of regional generation and transmission adequacy studies for the Summer 2000 period. The Committee discussed the need to coordinate the completion of any NYSRC studies by the ICWG with the NPCC schedule. A motion was made by Mr. Haase, seconded by Mr. Clayton, and passed unanimously by the Committee members in attendance (10 to 0, 2 absent) for the Committee to request the NYISO to complete two studies: (1) investigate the July 6-7 NYPP system emergencies experienced, determining what the impacts were on voltage and stability, and complete a risk assessment to determine how close did NYPP come to a major outage scenario, and (2) complete an assessment of impacts of the new market structure under the NYISO, on future generation patterns and determine changes in simultaneous flow patterns and impacts on voltage and stability. Studies should also incorporate conditions in the neighboring pools/ISOs.

Mr. Adams noted that NYPP Staff is currently completing studies on the July 6-7 NYPP system emergencies. A new motion was made by Mr. Haase, seconded by Mr. Clayton, and passed unanimously by the Committee members in attendance (10 to 0, 2 absent) to table the original motion until the scope of the NYPP studies is determined. Mr. Adams shall check with NYPP Staff on what studies are being completed and report his findings to the Committee at the next meeting - **AI #4-24**. The Committee will then determine what studies shall be completed. Mr. O'Neal recommended that all future system studies be coordinated with the PJM and New England ISOs. Mr. Schwerdt recommended that Ontario Hydro and Hydro Quebec also be included. The Committee also discussed and agreed that since we do not have any experience with the new market structure under the NYISO, that initially the studies be completed for Summer 2000, with followup studies completed one year later.

8.0 Meeting Schedule

The Committee chose a date for the November meeting. The following are the scheduled dates for future Committee meetings:

<u>Mtg No.</u>	<u>Date</u>	<u>Location</u>	<u>Time</u>
#5	Sept. 10	NYPP Power Control Center, Guilderland	9:30AM
#6	Oct. 6	NYPP Power Control Center, Guilderland	9:30AM
#7	Nov. 4	NPCC Offices, New York City	10:00AM

The Secretary will contact the NPCC to arrange for conference room facilities, refreshments, and lunch for Meeting #7 - **AI #4-25**. The Committee Meeting No. 4 was adjourned at 1:40 PM.

Completed By: Joseph C. Fleury - Secretary
Final Issue Date: September 10, 1999