

Minutes
New York State Reliability Council (“NYSRC”)
Executive Committee
Meeting No. 5 - September 10, 1999
New York Power Pool - Power Control Center - Guilderland, N.Y.

Members and Alternates:

Richard J. Bolbrock	Long Island Power Authority (“LIPA”)
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. (“Con Edison”)
Vid Varneckas	Con Edison (Alternate)
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”)
Keith O’Neal	New York Public Service Commission (“PSC”)

* - Denotes in attendance only part time.

Agenda Items - (Item # from Meeting Agenda)

1.0 Introduction

2.0 Approval of August 11 & 12, 1999 Minutes - Meeting No. 4

After Committee discussion, Mr. Raymond moved that the Minutes from Meeting No. 4 be approved, which was seconded by Mr. Podlena, and carried unanimously by the Committee members in attendance (11 to 0, 1 absent). The Secretary will issue the final minutes - **AI #5-1**.

2.1 Action Items List

A revised Action Items List dated September 1, 1999 was distributed and items were reviewed

during discussion of their respective Agenda item. Mr. Casazza requested that a review of the status of all outstanding action items be completed at the next Committee meeting.

3.0 Organizational Issues

3.1 NYSRC Certification of Formation, Application of Authority

Mr. Gioia received no comments on the draft documents transmitted in his July 23, 1999 email. Mr. Haase noted that NYPA's comments will be forwarded by 9/13/99. Mr. Gioia will incorporate NYPA's comments into the documents and will issue revised documents to the Committee - **AI #5-2**.

3.2 NYSRC Draft Operating Agreement

The Committee 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 in redlined format by September 13, 1999 - **AI #5-3**. The Committee shall (1) review the revised document; (2) forward any further comments to Mr. Gioia within one week; (3) provide the name of the individual who will be signing the final document to Mr. Gioia prior to the next Committee meeting (must be a person who is authorized by the respective corporation to sign documents for the corporation); and (4) be prepared to vote at the next Committee meeting on the acceptance of the document for final execution - **AI #5-4**.

The Committee discussed the following issues: (1) Committee members being on NYISO committees - the Committee agreed not to change the language in the NYSRC Agreement; (2) the need to develop procedures - Committee agreed to start developing a list of procedures for the NYSRC - **AI #5-5**; and (3) a number of financial related issues - addressed later in the Minutes.

3.3 NYSRC Start-up Date & Issues

Mr. Gioia provided a status report on the NYISO start-up activities, noting the delay in NYISO start-up until October 12, 1999. The FERC's September 15, 1999 session agenda includes the NYISO cutover plan, governance filing, compliance filing, and errata filing. Mr. Gioia also noted that, in addition to the NYSRC documents discussed at the last Committee meeting that need to be executed for the NYISO start-up, an agreement is needed between the NYISO and NYPP indicating that the NYISO will operate the system in accordance with the NYSRC Initial Reliability Rules. Mr. Gioia will discuss with the NYISO Counsel - **AI #5-6**.

3.4 Tax Issues

Mr. Gioia distributed the draft tax exempt filing document to be submitted to the IRS. The Committee shall review the draft document and send comments to Mr. Gioia by September 24, 1999 - **AI #5-7**. If no significant concerns arise from the Committee review, Mr. Gioia will schedule a pre-submission conference with the IRS to discuss the NYSRC and its responsibilities - **AI #5-8**. Mr. Gioia also noted that the NYSRC's tax exempt status should not be impacted by

a change in the type of NYSRC funding mechanism to be implemented.

3.5 Legal Counsel

After discussion by the Committee in executive session, Mr. Mennerich moved to have Mr. Gioia of LLG&M retained as General Counsel for the NYSRC subject to the satisfactory execution of an agreement. The motion was seconded by Mr. Varneckas and carried unanimously by the Committee (12 to 0). Mr. Gioia shall prepare and submit a draft agreement to the NYSRC Officers, which includes (1) an estimate of legal expenses for the remainder of 1999 and for 2000, assuming he will be kept on retainer; and (2) language to address conflicts of interest, including the requirement that Mr. Gioia will discuss with the NYSRC Chairperson, any issues that raise a perception of conflict of interest - **AI #5-9**. The NYSRC Officers will bring the final agreement to the Committee for approval - **AI #5-10**.

3.6 Financial Issues

a. Accounting Firm

Mr. Loughney noted that Urbach Kahn & Werlin PC is willing to expand the scope of work under the quoted price in their June 15, 1999 "Proposal for Accounting Services" to include the 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. Raymond moved that the Committee contract with Urbach Kahn & Werlin PC for accounting services, which was seconded by Mr. Casazza, and carried unanimously by the Committee (12 to 0). Mr. Loughney shall temporarily act as the contact with Urbach Kahn & Werlin PC, and will schedule a meeting with Messers Bolbrock and Clagett and Urbach Kahn & Werlin PC prior to the next Committee meeting - **AI #5-11**. The Committee agreed to investigate whether an individual from any of the Committee member's organizations would be available to act as Treasurer for the NYSRC - **AI #5-12**.

b. Funding Mechanism

Messers Bolbrock and Gioia reported on their discussions with the NYISO regarding the proposed NYSRC funding mechanism. Mr. Grossi, NYISO Board Chairman expressed two concerns with an NYSRC uplift included in the NYISO's Schedule 1 charge: (1) impacts to the perception of independence between the NYISO and NYSRC, and (2) NYISO involvement in the NYSRC's budget process. Mr. Bolbrock shall contact L. Rana to request that the issue be discussed by the Transmission Owners at the next Transition Steering Committee meeting; and Messers Loughney, Cordeiro, and Clayton shall discuss the issue with their respective sectors, both to solicit support for the proposed funding mechanism at the NYISO - **AI #5-13**.

c. Draft Reimbursement Agreement

The Committee discussed and provided comments on the draft NYSRC Reimbursement Agreement to Mr. Gioia who will incorporate the revisions agreed to by the Committee and issue a final draft in redlined format by September 13, 1999 - **AI #5-14**. The Committee shall (1) review the revised document; (2) forward any further comments to Mr. Gioia within one week; (3) provide the name of the individual who will be signing the final document to Mr. Gioia prior to the next Committee meeting (must be a person who is authorized by the respective corporation to sign documents for the corporation); and (4) be prepared to vote at the next Committee meeting on the acceptance of the document for final execution - **AI #5-15**.

d. NYSRC Expenses

The Secretary reported that, to date, he was unable to meet with M. Mackles/A. Ragona at the NYPP to discuss the handling of NYSRC expenses post-NYISO implementation - continuation of **AI #4-8**.

3.7 Insurance Requirements/Consultant

The Secretary reported that the request for proposal for the insurance consultant to the NYSRC has progressed. Upon receipt of the proposals, the Secretary will summarize the proposals and present to the Committee - continuation of **AI #4-12**.

3.8 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 to be interviewed was discussed and agreed to by the Committee. The Committee agreed that the nominating committee should consider 2-3 additional candidates for interviewing. The nominating committee of Mr. Clagett, Mr. Sasson and Mr. Loughney, shall conduct interviews and provide a status report and/or recommendation to the Committee at the next meeting - continuation of **AI #4-14**.

3.9 Committee Code of Conduct

Mr. Gioia noted that no progress was made on this item. The Committee discussed and agreed that all Committee Members/Managers shall keep confidential, any documentation or information of a confidential nature received or discussed by the Committee, until a confidentiality agreement is executed. Mr. Gioia shall prepare a draft NYSRC Code of Conduct and submit to the Committee prior to the next meeting - continuation of **AI #4-15**.

Under Agenda Item 3.2 above, the Committee discussed the issue of a Committee member being a representative on one or more of the NYISO's committees. Mr. Gioia reported that a review of the FERC orders in the NYISO proceeding did not show that FERC specifically referenced this

requirement. Since the NYSRC Agreement is very clear on the requirement and a FERC filing would be required to modify the requirement, and since enough concerns were raised in opposition to changing the requirement, the Committee agreed not to change the language in the NYSRC Agreement, Article 9.02.

3.10 Communication/Coordination with NYISO

Mr. Bolbrock reported that Mr. Grossi, NYISO Board Chairperson, discussed the issue of NYSRC representation at all NYISO Board of Directors meetings, and Mr. Grossi will only agree to including NYSRC representatives in the small group meetings after the regular Board meetings. Mr. O'Neal was asked whether or not Mr. Tarler, who attends the NYISO Board meetings, could inform the Committee of any items of interest discussed during the Board meetings. Mr. O'Neal indicated he would look into that possibility. Mr. Gioia also suggested that the Committee start building a working relationship with the newly formed NYISO Board Adequacy and Reliability Committee.

3.11 NYSRC Website Status

Mr. Bolbrock distributed a copy of the NYSRC website proposal submitted by LIPA's consultant, Communication Works, dated September 9, 1999. After brief discussion by the Committee, Mr. Clagett moved to proceed with contracting the consultant to develop and implement the NYSRC website, which was seconded by Mr. Loughney and unanimously approved by the Committee members in attendance (11 to 0, 1 absent). The Secretary will contact the consultant to initiate the website activities - **AI #5-16**.

3.12 Open Sessions - Subcommittees & Working Group Meetings

The Committee discussed and agreed that all NYSRC subcommittee and working group meetings should not be opened up to all market participants at this time.

4.0 Proposed NERC Legislation

The Committee discussed issues regarding 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. Mr. Gioia distributed an Energy Daily report, along with a September 7th letter from NARUC proposing the addition of a state's savings clause to the proposed NERC legislation, to better define the role of states on reliability management. This proposed language, however, does not allow the NYSRC to promulgate the reliability rules. In addition to the Action Item from Meeting #4 (**AI #4-23**), the following Action

Items were assigned: (1) Mr. Gioia shall check with the LLG&M attorney representing the NPCC to see if additional changes to the NERC legislation can be made; (2) Messers Gioia and O’Neal shall contact PSC Counsel to see if any changes can be made to the NARUC proposed language that would be acceptable to all of NARUC; and (3) Mr. O’Neal shall determine whether the PSC is willing to support changes to the NARUC language - **AI #5-17**.

5.0 Reliability Rules Subcommittee

5.1 Subcommittee Status Report

The Committee, during the Closed Session discussed at length the status of the Reliability Rules to be implemented by the NYISO initially, and agreed to issuing them as the “Initial Reliability Rules.” The Committee agreed that the Reliability Rules Subcommittee (“RRS”) should proceed with its review and modification of the Initial Reliability Rules which has commenced.

During the Open Session, Mr. Sasson provided a status report on the activities of the RRS, noting that the RRS has held several meetings and conference calls to date to finalize its recommendation to the Committee regarding the Initial Reliability Rules, and to commence the RRS’ detailed review and modification process for the Reliability Rules.

Mr. Sasson moved that the Committee adopt the Initial Reliability Rules, which was seconded by Mr. Raymond, and carried unanimously by the Committee members (12 to 0).

Mr. Sasson noted that the RRS will be restructuring the Initial Reliability Rules to be in a format similar to the NERC format, which will also be adopted by the NPCC. Mr. Sasson also moved that Mr. Eng, who is Chairperson of the NERC/NPCC committee working on the NERC standards, be the liaison between the NYSRC and NPCC. This motion was seconded by Mr. Raymond and carried unanimously by the Committee members (12 to 0).

5.2 Reliability Rules - Status

The Secretary noted during the Open Session that the Initial Reliability Rules will be filed with the FERC and PSC within a week, and will also be posted on the NYISO website initially, until the NYSRC website is established - continuation of **AI #4-20 & 21**.

5.3 RRS Discussion Issues

Mr. Claggett noted during the Open Session that the Initial Reliability Rules will be thoroughly reviewed by the RRS and modifications shall be proposed to the Committee. The RRS shall define the information required by the NYSRC from the NYISO to ensure that reliability is

maintained. Mr. Casazza also noted that it is imperative that all sectors of Market Participants know what their roles are in maintaining reliability. Mr. Clayton also noted that the Reliability Rules must still be in accordance with NERC's new reliability rules standards.

5.4 Installed Capacity Working Group

a. Status Report - Mr. Cordeiro reported during the Open Session that the Installed Capacity Working Group ("ICWG") met on August 18th and September 7th, and are scheduled to next meet on September 21, 1999. The Committee discussed and agreed that the ICWG needs to monitor the activities of the new NYISO Board Adequacy & Reliability Committee.

Mr. Cordeiro also distributed a summary and timeline for the studies that need to be completed to determine the New York Control Area installed capacity requirements for Summer 2000 Capability Period. The ICWG will be submitting a proposal to the RRS to retain NYISO staff to complete these studies. Upon review and acceptance by the RRS, Mr. Sasson will forward the proposal to the Secretary who shall forward the proposal to the Executive Committee for approval by electronic mail - **AI #5-18**.

b. White Paper on Resource Adequacy Assessment - Mr. Adams distributed a Resource Adequacy Issues List that will be the basis for a draft white paper to address resource adequacy assessments.

The Committee discussed and agreed that a FERC filing should be made seeking FERC's acceptance of the NYSRC's process for determining resource adequacy/installed reserve requirements. This would eliminate the need to make separate FERC filings every time the reserve requirement changes. Mr. Gioia shall review the need for a FERC filing and provide a recommendation to the Committee - **AI #5-22**.

6.0 Compliance Monitoring Subcommittee

6.1 Subcommittee Status Report

No report was given for the Compliance Monitoring Subcommittee ("CMS"). The first meeting of the CMS shall be scheduled in the near future.

7.0 System Adequacy Studies

7.1 Report on NYPP Studies - July 1999 System Emergencies

During the Open Session, Mr. Adams distributed and briefly summarized two reports to the Committee that were related to the July 1999 system emergencies: (1) "NYPP Operations

Analysis For July 6, 1999,” and (2) “Analysis of System Voltages During Summer Peak Load Conditions.” The Committee shall review the two reports and bring questions and comments for discussion at the next Committee meeting - **AI #5-19**.

8.0 Other Issues

8.1 NYISO’s Year 2000 Contingency Plan

The Committee requested that an agenda item be added to the next Committee meeting for a presentation of the NYISO’s Y2K Contingency Plan. Mr. Bolbrock shall send a request to Mr. Museler for a copy of the plan and to have someone available to briefly present the plan at the next meeting - **AI #5-20**.

9.0 Meeting Schedule

The Committee was informed that the location for the next meeting (#6 - October 6th) was changed to the NYPP Annex at 5172 Western Turnpike (Route 20), which is a short distance from the NYPP Power Control Center. The Committee agreed to change the location for the November 4th meeting to the NYPP Power Control Center in Albany, since the Board Room at the NPCC Offices in New York City were not available. The Committee also chose a date for the December meeting.

The following are the scheduled dates and locations for future Committee meetings:

<u>Mtg No.</u>	<u>Date</u>	<u>Location</u>	<u>Time</u>
#6	Oct. 6	NYPP Annex, Altamont	9:30AM
#7	Nov. 4	NYPP Power Control Center, Guilderland	9:30AM
#8	Dec. 8	NPCC Offices, New York City	10:00AM

The Secretary will contact the NYPP and NPCC to make arrangements and will prepare and issue the agenda for the meetings - **AI #5-21**.

The Committee Meeting No. 5 was adjourned at 3:30 PM.

Completed By: Joseph C. Fleury - Secretary
Final Issue Date: October 7, 1999