

Minutes
New York State Reliability Council (“NYSRC”)
Executive Committee
Meeting No. 8 - December 6, 1999
Northeast Power Coordinating Council Offices - New York City, N.Y.

Members and Alternates:

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| Richard J. Bolbrock | Long Island Power Authority (“LIPA”) - Chairman |
| John A. Casazza | Unaffiliated Member |
| William H. Clagett | Unaffiliated Member - Vice Chairman |
| Roger E. Clayton | Wholesale Sector, PG&E Generating |
| Mark J. Cordeiro | Municipals, PLM, Inc |
| Joseph C. Fleury | New York State Electric & Gas Corporation - Secretary |
| H. Kenneth Haase | New York Power Authority (“NYPA”) |
| John Hauber | Rochester Gas & Electric Corporation (“RG&E”) |
| George C. Loehr | Unaffiliated Member |
| Kenneth A. Mennerich | Central Hudson Gas & Electric Corporation (“CHG&E”) |
| P. Donald Raymond * | Niagara Mohawk Power Corporation (“NMPC”) |
| Mayer Sasson | Consolidated Edison Co. of New York, Inc. (“Con Edison”) |
| Robert M. Loughney | Retail Sector, Couch, White, LLP (Alternate) |

Others

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| Alan M. Adamson | Consultant - Acting Treasurer |
| John P. Buechler | New York Independent System Operator (“NYISO”) (Alternate) |
| Paul L. Gioia | LeBoeuf, Lamb, Greene & MacRae (“LLG&M”) - Legal Counsel |
| Keith O’Neal | New York Public Service Commission (“PSC”) |
| Frank J. Vitale | Consultant |

* - Denotes individual participated by phone.

Agenda Items - (Item # from Meeting Agenda)

1.0 Introduction/Open Session Topics

Mr. Bolbrock welcomed Mr. George Loehr to his first Committee meeting as an Unaffiliated Member.

The Committee discussed various topics to be addressed during the Open Session. See below.

2.0 Approval of November 4, 1999 Minutes - Meeting No. 7

After Committee discussion, Mr. Mennerich moved that the Minutes from Meeting No. 7 be

approved as modified, which was seconded by Mr. Clagett, and carried unanimously by the Committee. The Secretary will issue the final minutes for Meeting No. 7 - **AI #8-1**.

3.0 Organizational Issues

3.1 Execution of NYSRC Operating & Reimbursement Agreements

Mr. Gioia reported that execution copies of both agreements were sent by overnight mail to the Committee Members. Mr. Casazza requested and the Committee agreed that for the first revision to the Operating Agreement, Section 10.01 be modified to note that the agreement is subject to New York State law - **AI #8-2**. The Committee Members shall send the executed documents to Mr. Gioia as soon as possible - **AI #8-3**.

3.2 Tax Issues

Mr. Gioia reported that Mr. Kenworthy of LLG&M sent an advance submission document to the Internal Revenue Service ("IRS") in lieu of scheduling a pre-submission meeting with the IRS.

3.3 Legal Counsel

Mr. Gioia reported that he will be preparing a breakdown of 1999 NYSRC legal expenses which are included in LLG&M's NYISO transition invoices, along with a budget for legal expenses in 2000 - continuation of **AI #5-9**.

3.4 Financial Issues

a. Accounting Firm

Mr. Adamson reported that a meeting was held with Urbach Kahn & Werlin PC ("UK&W") on December 2, 1999 to discuss accounting issues. UK&W will be preparing a report on 1999 NYSRC Expenses and will provide monthly reports to Mr. Adamson for the Committee. A copy of a draft policy on accounting issues and draft expense report were distributed to the Committee. Mr. Adamson will prepare a revised draft policy and submit to the Committee for review and comments prior to the next meeting - **AI #8-4**. Another meeting will be scheduled with UK&W in the near future.

b. Funding Mechanism

Mr. Gioia noted that a revised draft FERC filing to revise the various ISO and NYSRC tariffs and agreements to include the proposed NYSRC funding mechanism, was issued on December 3, 1999. He noted that the NYISO raised concerns regarding the retroactive clause in the filing. Mr. Gioia will prepare a final draft and distribute to the Committee for review - **AI#8-5**. The Committee shall return comments as soon as possible.

c. NYSRC Treasurer's Report

Mr. Adamson requested that all parties submit their payments in response to the November 5, 1999 call for funds. The Committee also agreed to Mr. Adamson issuing a call for funds for January 2000 - **AI #8-6**.

d. NYSRC 2000 Budget

Mr. Adamson distributed a draft 2000 budget report to the Committee. After discussing the draft budget, the Committee agreed that Mr. Adamson and Mr. Gioia shall prepare a final budget totaling \$550,000 - **AI #8-7**. This budget will be incorporated into the FERC Filing on the NYSRC funding mechanism.

3.5 Insurance Requirements/Consultant

Mr. Gioia reported that he contacted Austin & Company, a local insurance carrier recommended by UK&W, and has determined that they are not in a position to provide consulting services to the NYSRC, as required. Mr. Gioia also reported that contacts were made to both Tillinghast-Towers Perrin and Marsh Inc. regarding consultant services. Mr. Gioia shall proceed to obtain quotes from both companies - continuation of **AI #6-9**.

3.6 NYSRC Code of Conduct

Mr. Gioia reported that he is developing a draft document to be issued prior to the next meeting - continuation of **AI #4-15**.

The Committee also discussed the issue of whether an individual who is on an NYISO committee can be a member of an NYSRC subcommittee or working group. The Committee requested Mr. Gioia to provide a legal interpretation of the applicable section(s) of the NYSRC Agreement and/or ISO/NYSRC Agreement, regarding this issue - **AI #8-8**.

3.7 Coordination with NYISO, NPCC, NERC

Mr. Bolbrock noted that he has contacted Ed Schwerdt of NPCC about scheduling a meeting of the NYSRC Committee and Subcommittee Chairpersons, the NYISO, and NPCC regarding coordination of all activities - continuation of **AI #7-10**.

3.8 NYSRC Web Site Status

The Secretary reported that the web site consultant, Communication Works, is scheduled to provide a draft of the NYSRC home page during the week of December 6, 1999. It is anticipated that the NYSRC web site should be in place within a couple of weeks - continuation of **AI #5-16**.

3.9 Revised NPCC Membership Agreement

Mr. Gioia reported that no progress was made on pursuing whether Committee comments on the NPCC Membership Agreement can be incorporated into the document now or in the next revision - continuation of **AI #7-11**.

3.10 Millennium Gas Pipeline Project Status

Mr. Gioia reported that the Committee could file comments at FERC past the deadline for submittal of comments, and request to become a party in the proceeding. After discussion by the Committee, the Reliability Rules Subcommittee was requested to complete a review of, provide a recommended course of action for the Committee, and to work with Mr. Gioia to draft a statement forming the basis for the NYSRC's concerns about the proposed project for possible submittal to FERC - **AI #8-9**. The review shall also include a check of what concerns NERC and NPCC may have raised.

4.0 Proposed NERC Legislation Status & NYSRC Course of Action

Mr. Gioia reported that even though language is included in the draft NERC/NAERO legislation, recognizing the NYSRC as an affiliated regional reliability entity ("ARRE"), which will enable it to propose regional reliability standards, the legislation is subject to change. He also noted that NARUC's state's savings clause has not been included in the legislation and that the NYSRC should work with the PSC to get the language included. Mr. Bolbrock recommended that a talking paper be developed to summarize the Committee's position - **AI #8-10**. Mr. Bolbrock shall contact Mr. Landgraf of LLG&M to coordinate efforts on the legislation and to schedule a meeting with the House Subcommittee to discuss the NYSRC's concerns with the proposed legislation - continuation of **AI #7-13**.

5.0 NYS Assembly Statewide Reliability Study

Mr. Bolbrock noted that a meeting was held on November 15, 1999 regarding the legislation passed by the NYS Assembly requiring the completion of a statewide reliability study by December 2000. Separate studies are to be completed for distribution and transmission systems, and the study horizon is 20 years. Mr. Bolbrock reported that work scopes and budgets are being prepared for the studies, and consultants are being considered to complete the studies. The Committee agreed that NYSRC positions should be developed on the work scopes and draft reports as they are issued. Mr. Gioia also noted that the NYSRC should be represented on the Steering Committee. Mr. Bolbrock shall investigate whether he can represent both LIPA and the NYSRC - **AI #8-11**.

6.0 Reliability Rules Subcommittee

6.1 Subcommittee Status Report

During the Open Session, Mr. Sasson provided a status report on the following activities of the Reliability Rules Subcommittee (“RRS”) which met last on November 16, 1999:

- i. Procedure for Revising NYSRC Reliability Rules** - A revised draft of the NYSRC Procedure for Reviewing, Developing, Modifying, and Disseminating NYSRC Reliability Rules, dated November 16, 1999, was sent to the Committee on December 1, 1999. The Committee discussed and provided additional comments to be incorporated in the document. After Committee discussion, Mr. Casazza moved that the procedure be approved as modified, which was seconded by Mr. Clagett, and carried unanimously by the Committee. The RRS shall modify the procedure as approved by the Committee and forward to the Secretary for transmittal to the Committee and posting on the NYSRC web site - **AI #8-12**. The procedure was numbered “NYSRC Policy No. 1.”

- ii. NERC/NPCC Compliance** - The RRS expressed a concern on the amount of work required to make the NYSRC Initial Reliability Rules compliant with NERC and NPCC. The Committee discussed the issue and requested that the RRS submit a proposal and recommendation to the Committee to complete the work, along with a schedule - **AI #8-13**. The phases of the work shall include (1) reviewing the NERC and NPCC documents; (2) performing an assessment of the Initial Reliability Rules to determine the scope of work required; (3) developing a format for the rules; (4) developing the new/modified rules; and (5) submitting the modified rules to the Committee for approval. Mr. Loehr noted that since the NPCC is working on the compliance of their rules with NERC, that the NYSRC may need to wait until the NPCC work is completed, which is scheduled for late 2000, to ensure that the NYSRC rules are compliant with NPCC.

- iii. NYSRC Openness Policy** - The RRS issued Draft #2 of NYSRC Openness Policy, dated November 23, 1999 to the Committee on December 1, 1999, to address the handling of all NYSRC activities, including what documents can be published. The Committee discussed the issue of open meetings and agreed that, starting January 1, 2000, all NYSRC Executive Committee, Subcommittee and Working Group meetings shall be open to all market participants through a listen-only telephone access number. Parties will be able to submit comments to the NYSRC through the NYSRC web site. The RRS shall revise the policy to incorporate comments from the Committee, and forward the revised policy to the Secretary, who will submit the document to the Committee and request approval of the policy to be assigned as “NYSRC Policy No. 2” - **AI #8-14**.

6.2 Reliability Rules - Status

Mr. Clayton reported during the Open Session that the RRS is proceeding with its review of the NYSRC Initial Reliability Rules. Comments have been received from the Committee and are being reviewed by the RRS. Mr. Clayton noted that all parties can submit comments to the RRS in accordance with the NYSRC Policy No. 1 (see item 6.1 i above).

During the Closed Session, the Committee discussed the comments from Howard Fromer, that were forwarded to the Committee by Mr. Adams of the NYISO. The Committee agreed that the RRS shall prepare a response to Mr. Fromer noting that, when the NYSRC issued the Initial Reliability Rules, they adopted the rules, policies, and procedures of the New York Power Pool (“NYPP”), in accordance with the NYSRC Agreement - **AI #8-15**. The response shall also include a copy of the cross-reference to the existing NYPP rules. The Committee also discussed the activities of the NYISO Business Issues Committee ICAP Working Group, and agreed that the response to Mr. Fromer shall also include a statement that the NYISO is required to comply with the NYSRC’s Reliability Rules and to work cooperatively with the NYSRC under the provisions of the ISO and ISO/NYSRC Agreements.

6.3 RRS Discussion Issues

See item 6.2 above.

6.4 Installed Capacity Working Group

- i. Status Report & Discussion Issues** - During the Closed Session, the Committee discussed the Installed Capacity Working Group’s (“ICWG”) Draft Installed Capacity Reliability Model and Assumptions, dated December 3, 1999. The Committee discussed and agreed to the report Mr. Cordeiro would present during the Open Session. The Committee shall review the draft document and provide comments to Mr. Cordeiro by December 8, 1999 - **AI #8-16**.

During the Open Session, Mr. Sasson noted that the RRS has reviewed the December 3rd Draft Installed Capacity Reliability Model and Assumptions, and recommended that it be sent to the Committee. Mr. Cordeiro reported that a response was distributed to the Committee to the comments received from Mr. Fleury on the original draft report. He noted that the ICWG continued to work on the studies that need to be completed to determine the New York Control Area installed capacity requirements for the Summer 2000 Capability Period. Preliminary results indicate that the statewide reserve margin may decrease from the current requirements, however, these results are preliminary and are subject to final review and approval by the ICWG, RRS, and Committee. Mr. Cordeiro noted that the ICWG plans to complete all activities in accordance with the original schedule.

- ii. Installed Capacity Reliability Model & Assumptions/Status of Study** - see Item 6.4 i. Above.

7.0 Compliance Monitoring Subcommittee

7.1 Subcommittee Status Report

Mr. Bolbrock noted during the Open Session that Mr. Casazza has agreed to chair the

Compliance Monitoring Subcommittee (“CMS”). Mr. Casazza then noted that the first meeting of the CMS is scheduled for December 7, 1999. The recommendation was made and the Committee agreed that the name of the CMS should be changed to the Reliability Compliance Monitoring Subcommittee (“RCMS”).

Mr. Casazza noted that the RCMS will strive to make maximum use of all studies and work that have been completed by all entities. The RCMS will focus on how parties have been complying with the NYPP/NYISO to date, and determine whether reliability problems will arise in the future. The RCMS will develop the reporting requirements to the NYSRC/RCMS and work on coordination with the NYISO, NPCC, and NERC.

8.0 System Adequacy Studies

8.1 Status Report on NYPP Studies

Mr. Buechler noted during the Open Session that the NYISO has begun an area transmission adequacy review with a target date of March 2000 for the completion of a draft report. The RCMS will be discussing this study. Mr. Buechler also noted that the NYISO Transmission Planning Advisory Subcommittee (“TPAS”) is developing a scope for a reactive resource adequacy study - continuation of **AI #6-14**.

9.0 Other Items

9.1 FERC Notification of NYSRC Membership

Mr. Gioia shall prepare a FERC filing to notify the FERC of the changes in NYSRC Executive Committee membership since the initial filing - **AI #8-17**.

10.0 Meeting Schedule

The Committee chose a date for the March 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> |
|----------------|-------------|--|-------------|
| #9 | Jan. 11 | NPCC Offices, New York City | 10:00 AM |
| #10 | Feb. 10 | NYPP Power Control Center, Guilderland | 9:30AM |
| #11 | Mar. 16 | NYPP Power Control Center, Guilderland | 9:30AM |

The Secretary will contact the NYPP and NPCC to make arrangements and will prepare and issue the agendas for the meetings - **AI #8-18**.

The Committee Meeting No. 8 was adjourned at 3:30 PM.

Completed By: Joseph C. Fleury - Secretary
Final Issue Date: January 12, 2000