

NYISO BMS Certification Letter 2008 FINAL.doc

July 31, 2008

Mr. Stephen G. Whitley
President and Chief Executive Officer
New York Independent System Operator, Inc.
3890 Carman Road
Schenectady, NY 12303

Dear Mr. Whitley:

Recertification of Market Software Tariff Compliance

Introduction

PA Consulting Group, Inc. ("PA") has been asked by the New York Independent System Operator, Inc. ("NYISO") to confirm and certify that the NYISO's software calculates dispatch and prices for Energy¹ and Ancillary Services in the Day Ahead Market and the Real Time Market administered by the NYISO in compliance with the relevant portions of the NYISO's tariffs, manuals and procedures. These portions of tariffs, manuals and procedures are collectively referred to in this letter as the "Market Rules".

This certificate is similar to and builds on the previous certificate for the NYISO software dated October 12, 2007. It certifies that the previously certified functionalities continue to comply with the Market Rules, and provides an original certification of two additional functionalities (Demand Side Ancillary Services Provision (DSASP) and the use of wind generation forecasts).

Scope of the Evaluation and Certification

This certification represents our best determination based on our experience and expertise. It is not and cannot be in the form of an absolute guarantee. Our certification assumes that the NYISO will continue to operate its software with care, as configured, with parameters in the range of those provided to us for testing, in the manner intended, and with data that conform to the requirements of the Market Rules and fall within their range of expected values. Over time, actual results that are consistently in compliance with the Market Rules will continue to confirm that the NYISO's software operates in strict accordance with those Market Rules.

¹ Capitalized terms that are not otherwise defined in this certification letter have the meaning set forth in the NYISO's tariffs.

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This certification covers the NYISO software that calculates dispatch and prices for Energy and Ancillary Services in the Day-Ahead Market and the Real-Time Market administered by the NYISO (“NYISO Market Software”). Specifically, our certification covers the following three software modules:

- Security Constrained Unit Commitment (“SCUC”);
- Real-Time Commitment (“RTC”); and
- Real-Time Dispatch (“RTD”), including the Real-Time Dispatch – Corrective Action Mode (“RTD-CAM”).

Our evaluation did not cover, and this certification does not cover, the following:

- The Market Information System (“MIS”) and Oracle Information Storage & Retrieval (“OISR”) interface software and database which calculate, read, transfer and store the data used by the NYISO Market Software;
- Software used to implement the automated mitigation function;
- Software used to implement the automated functions of the Transmission Congestion Contract markets;
- Software used to implement the automated function of the NYISO billing and settlement system;
- Manual processes or procedures of the NYISO, other than those manual processes and procedures used by the NYISO to calculate dispatch and prices; or
- Software used to implement the automated functions of the ICAP/UCAP markets.

Nature of the Tests Conducted

PA’s three-stage testing methodology was described in our January 31, 2007 certification letter. The recertification project covered one and one-half months, from June, 2008 to mid July, 2008.

- First, PA developed a statement of the new functionalities, to be incorporated into the formulation assembled in 2006.
- Second, PA executed a comprehensive set of test cases to verify the accuracy of all aspects of the NYISO Market Software against the mathematical formulation of the Market Rules. We used the improved tools for running the NYISO Market Software and documenting each test case that we had developed for the 2007 recertification. We used the same network model as for the previous recertification to conduct bench-scale testing of the NYISO Market Software on a variable by variable and constraint by constraint basis to determine that each constraint and each variable was correctly implemented in accordance with the mathematical formulation. Most of the test cases repeated tests conducted for the 2007 recertification; however, additional tests cases were constructed specifically to verify the DSASP and wind forecast functionalities.

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- Third, PA checked the results of the bench-scale software testing directly against the Market Rules to ensure that all NYISO Market Software results are fully in compliance with the Market Rules.

Certification

As a result of our examination of the Market Rules and our testing of the NYISO Market Software, we are able to provide the following certification with respect to the NYISO Market Software and its formulation:

Subject to the limitations and qualifications expressed in the “Scope of the Evaluation and Certification” section, we have determined that the NYISO Market Software version NYISO2.7-1.4.5 as of May 31, 2008 performs all functions, and correctly calculates dispatch and prices for Energy and Ancillary Services in the Day-Ahead Market and the Real-Time Market administered by the NYISO, in compliance with the Market Rules in effect as of May 31, 2008.

Distribution of Certification Letter to Third Parties

The NYISO intends to distribute this certification letter to its Market Participants and other persons (each a “Third Party”). PA makes no warranty of any kind regarding our certification to any Third Party. PA disclaims any liability for any damages incurred by any Third Party as a result of that Third Party’s use of or reliance on our certification.

Yours truly,

A handwritten signature in black ink that reads 'Gregg Edeson'.

Gregg Edeson
Member of PA Consulting Group Management Team