

Stephen G. Whitley
President & CEO

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Dear Market Participant:

This is in response to concerns expressed regarding developments in the credit industry and the overall economy of our state and nation as they affect the financial situation of the NYISO. I am confident that the NYISO's credit policies and procedures -- developed with your active involvement in our shared governance process -- are working effectively.

These policies and procedures enable the NYISO to provide liquidity of funds and mitigate potential risk of default by market participants. *A default, as defined in the tariffs, means that a market participant has not made a scheduled payment to the NYISO or failed to comply with the creditworthiness requirements of the tariff.*

As you know, the NYISO recently provided notice of three market participants in default. This does not mean that the NYISO markets will suffer a bad debt loss. The NYISO believes the defaults recently announced will be adequately covered by collateral. We will vigorously assert the rights of our markets in bankruptcy court and any other appropriate forum when necessary.


I am proud of the proactive and preventive measures taken by the NYISO Finance Department and Management Team in this ever-changing financial climate. They are working to protect your financial assets. Among recent actions taken, the NYISO has:

- Obtained secured collateral for market participants with significant potential risk of default.
- Engaged bankruptcy counsel to analyze recent events and assist in reviewing collateral arrangements for certain market participants.
- Engaged a risk management consulting firm to analyze NYISO credit policies and procedures and determine any additional immediate actions.
- Performed advanced borrowing on available debt facilities to provide liquidity of NYISO funds.
- Migrated market participant cash collateral to a money market fund invested solely in U.S. Treasuries to ensure safety of principal and liquidity of funds.

The NYISO's recent actions have addressed the need to provide liquidity of funds and have mitigated potential risks of default without unduly harming any individual market participant. We will continue to strive for an effective balance between minimizing exposure to bad debt losses and sustaining the efficient marketplace for wholesale electricity in New York State.

In addition, we will continue to work with you through our shared governance process to evaluate and enhance the NYISO's credit policies and procedures to address the emerging challenges of the economy.

Very truly yours,



Stephen G. Whitley
President & CEO