MOTION OF
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
IN OPPOSITION TO THE APPEAL OF LONG ISLAND POWER AUTHORITY AND LIPA OF THE MANAGEMENT COMMITTEE'S ACTIONS WITH RESPECT TO THE WORKING CAPITAL AND BAD DEBT LOSSES ALLOCATION METHODOLOGY

Pursuant to section 1.03 of the NYISO's Procedural Rules for Appeals to the ISO Board, Consolidated Edison Company of New York ("Con Edison") hereby files this motion in opposition to the appeal of the Long Island Power Authority and LIPA (collectively, "LIPA"). Con Edison urges the Board of Directors to reject the extraordinary relief requested by LIPA in its March 6, 2003 Appeal ("LIPA's Appeal") to retain the existing methodology for allocating bad debt losses and working capital contributions. After over two years of effort, a new comprehensive Financial Assurance Policy is sorely needed, including: (1) Credit Requirements, (2) a Bad Debt Loss Allocation Methodology, and (3) a Working Capital Contribution Allocation Methodology.

I. CONTINUATION OF THE CURRENT INTERIM BAD DEBT LOSS ALLOCATION METHOD IS NOT FAIR TO LOADS

LIPA's suggests in its Appeal that the current allocation methodology for bad debt losses and working capital contributions should be retained (LIPA Appeal at 2). What LIPA fails to recognize is that the current policy allocates losses and working capital contribution primarily to loads, and not to all market participants. This policy was adopted on an interim basis only, and in its current form is not fair to loads. Therefore it is not just and reasonable on a permanent basis.

While certain parties may wish to preserve the method whereby the risk of bad debt losses is assessed primarily to loads, no serious proposal to do so has been discussed at any working group or committee level since work on the new credit policy began over two years ago. For LIPA to advocate continuation of this approach now is startling.

LIPA's proposal is unfair to loads. A good argument could be made that working capital contributions and bad debt loss allocations should go 100 percent to generators, since these mechanisms function as an insurance that generators and other suppliers will be paid by the NYISO. It is generators, and not loads, that receive the benefit of an effective working capital and loss-sharing proposal. They benefit through lower financing costs due to the lower risks associate with payment for their energy products. Since the insurance is for the benefit of generators, they should pay for it. It is for these reasons, that the market participants have achieved consensus on the methodology that allocates the costs to all market participants and not just to loads.

II. THE FEBRUARY 20, 2003 MANAGEMENT COMMITTEE MEETING

At the February 20, 2003 Management Committee meeting, after more than 2-years for discussions and work by market participants, a three-part comprehensive Financial Assurance Policy (Motion #3) was approved with over 60 percent of the affirmative vote.   Therefore, since an approved policy results from the February 20 meeting, Con Edison respectfully request that the Board expeditiously file to convert the pending Section 206 submittal of the Credit Requirements policy into a Section 205 filing of the comprehensive Financial Assurance Policy.

III. CONCLUSION

For the above reasons, Con Edison respectfully requests that (a) the Board of Directors deny LIPA's appeal; and (b) the NYISO expeditiously file the approved modifications to the loss sharing and working capital contribution policies of the comprehensive Financial Assurance Policy.

Dated: March 13, 2003

Respectfully Submitted,
Consolidated Edison Company
Of New York, Inc.

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