

NYISO President's Report

Management Committee Meeting

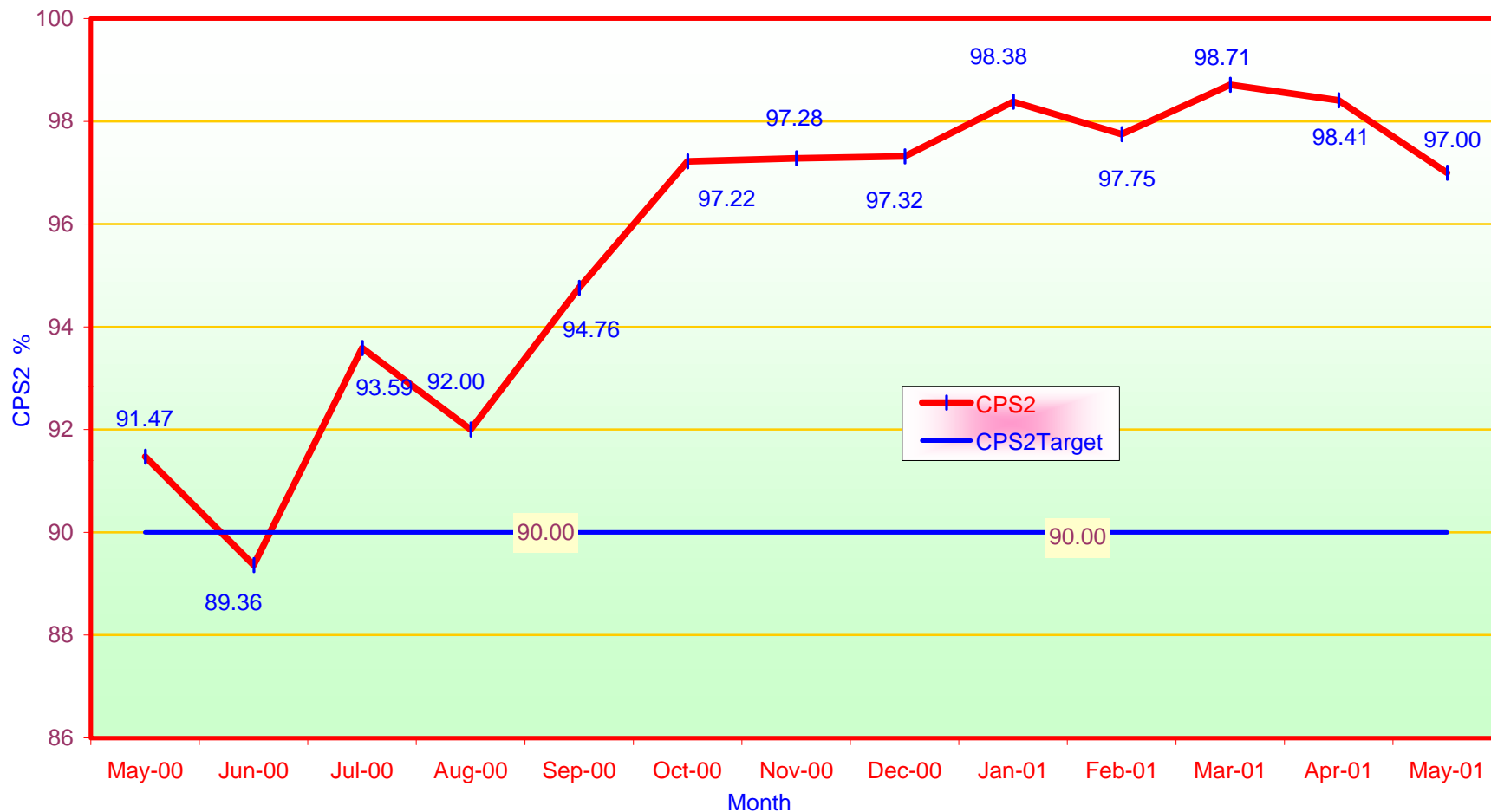
June 6, 2001

Bill Museler, NYISO President and CEO

Market Operations Report

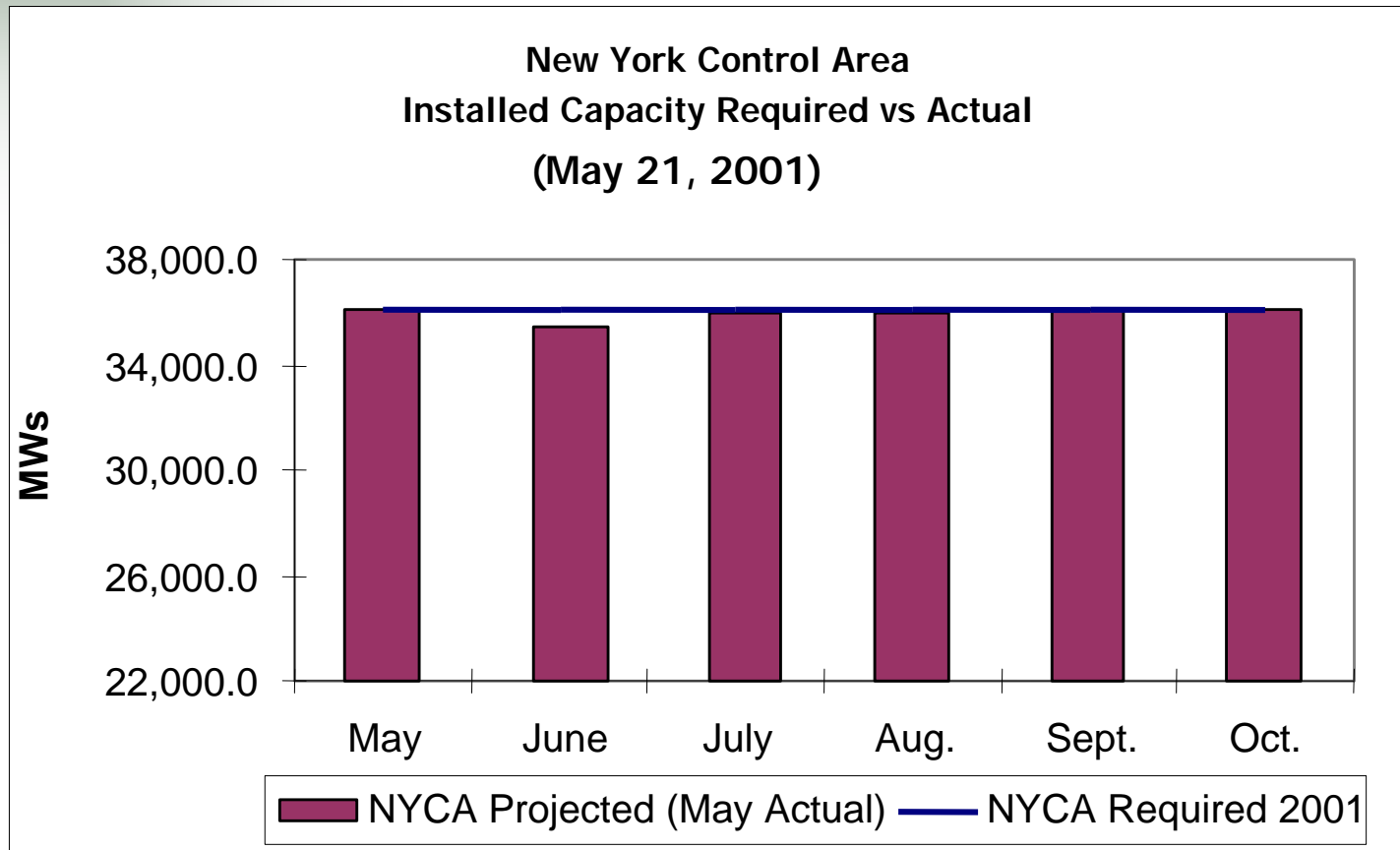
- 1) Reliability Indicators
 - *NERC Criteria (CPS-2 Curve)*
- 2) Market Performance Highlights (Data will be available by 6/14/01)
- 3) Summer Capacity Status
- 4) Summer Preparations Schedule
- 5) MOU Status
- 6) Reference Prices
- 7) Northeast Markets “Future Direction” Process

NERC Control Performance Standard
NYISO Compliance
Year 2000/2001

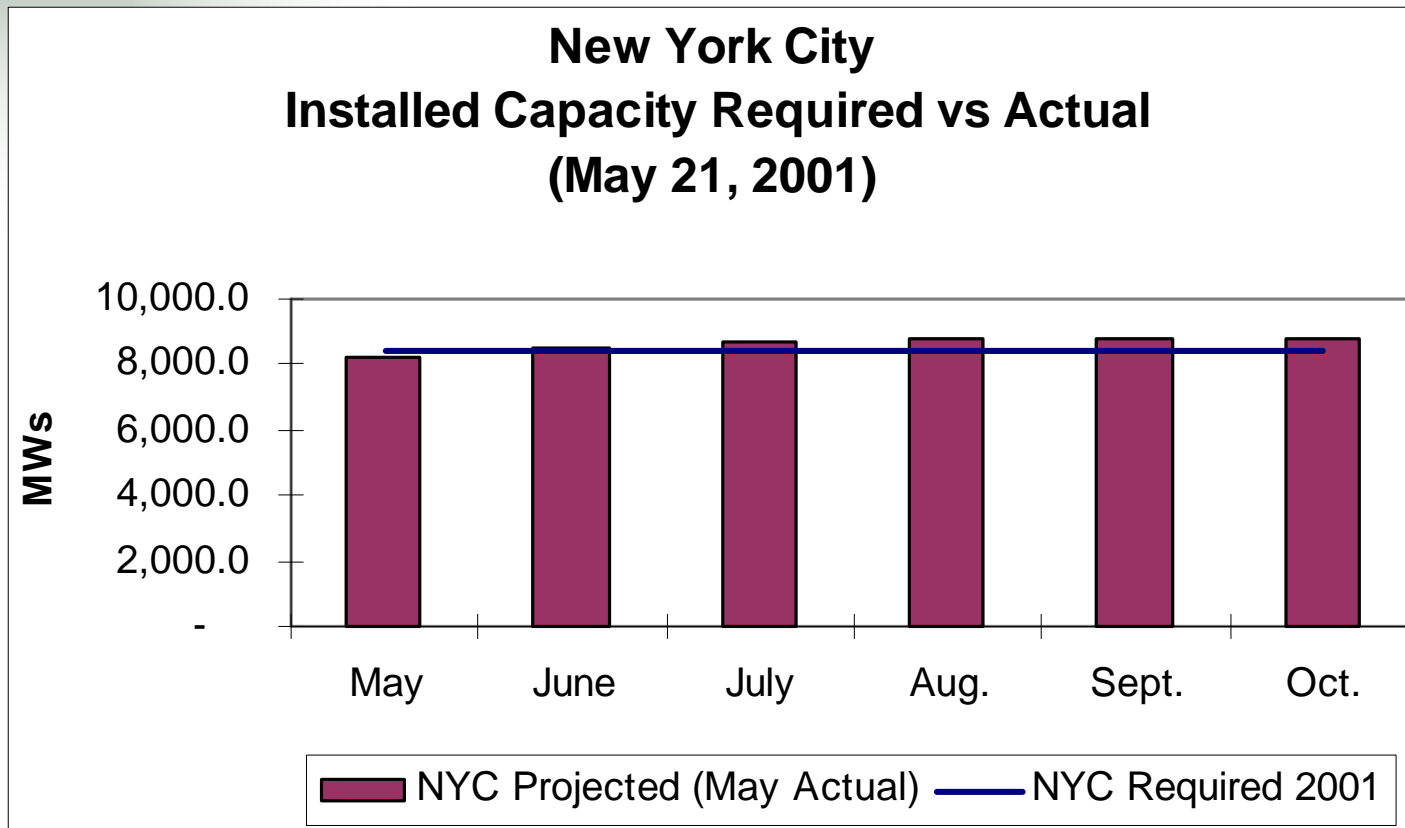


CPS2 for May-01 =97.00% Compliance Threshold=90%
CPS2 measures excessive unscheduled power flow resulting from large Area Control Error(ACE)

New York State's Situation 2001



New York City's Situation 2001



SUMMER PREPARATIONS SCHEDULE

A070 – AMP (Automated Mitigation Process)

Status: Software changes and testing were completed on schedule for implementation 5-1-01. Implementation is targeted for 6/15/01, pending FERC ruling.

A100 – Zonal Price Capped Load / Price Sensitive Load

Status: Software changes and testing were completed to committed schedule. Implementation was completed 5-15-01.

A524 – Day Ahead Price Responsive Load / Price Responsive Load

Status: Software changes are complete and testing is on schedule. Implementation is targeted for 6/15/01.

A520 – Emergency Demand Response Program:

Target Date: Software changes and testing are on schedule. Implementation is targeted for 6/15/01. Manual procedure is already in place.

A519 – Generation Supplier Issues – ELR

Target Date: Software changes and testing are on schedule. Implementation is targeted for 6/30/01.

A519 – Generation Supplier Issues – CLR

Target Date: Software changes and testing are on schedule. Implementation is targeted for 6/30/01.

A519 – Generation Supplier Issues – NOx Bubble

Target Date: Implementation of procedural changes is targeted for 6/30/01.

Market Participant Reports:

Description: Four new reports requested by BIC

Deliverables: Three new reports created; External Limits & Flows, Real-Time (SCD) Limiting Constraints and Real-Time PAR Flows. These reports will be available on the web as Comma Separated Variable (.csv) reports.

Target Date: Software changes and testing are on schedule. Implementation is targeted for 6/12/01.

Market Participant Alerts:

Deliverables: All System State changes (Into or Out-of Major Emergency for example), Reserve Pickup initiation/termination and Thunderstorm Alert initiation/termination messages will be automatically posted to the NYISO Homepage and one level of pages below.

Target Date: Software changes and testing are on schedule. Implementation is targeted for 6/12/01.

Market Participant B&A Reports:

Target Date: Software changes and testing were completed on schedule. A soft-live release was completed 6/1/01. This period will allow Market Participants to evaluate the new feeds and provide comments to the development team for two weeks. All high priority bugs will be fixed and retested for a permanent production release on 6/26/01.

MOU Status

CSS Workshop at Sapiient Offices in Cambridge, MA (Four Northeast ISOs, TransEnergie, Detroit Edison, and New Brunswick, plus Market Participants from each region).

Joint NY/NE Tech Bulletin on transactions to be released shortly.

Next MOU BP Working Group Stakeholders meeting is scheduled for July 9th in NYC. MOU revitalization process and tracking of MOU initiatives, including CSS, are key agenda items.

Northeast Markets

“Future Direction”

“Future Direction” Objectives

- Greater price transparency
- Enhanced liquidity
- Enhanced hedging and trading
- Harmonization of rules/procedures
 - ❖ *Easier transaction scheduling*
 - ❖ *Better market monitoring*
 - ❖ *Better seams coordination*
- Customer Choice
- Reliability

Potential Obstacles

- Differing rules and products in each of existing ISOs.
- Lack of common rules for inter-ISO transactions.
- Technical challenges:
 - ✓ *Software and hardware are at limits of design*
 - ✓ *Transmission system constraints*
- Proposals for “Knee Jerk” solutions without analysis.

Still More Obstacles

- Possible cost shifting
- Differing ratios of divested versus vertically owned generation
- Governance
- Politics

How to Proceed?

- Continue to solve seams issues via the MOU as Top Priority (Best Practices, etc.).
- Work with the Market Participants and each respective ISO and develop “Future Direction” options for the Northeast Markets.
- Use the MOU process and establish a “Northeast Market “Future Direction” Working Group (use contractors/facilitators, as required).
- Include State Commissions and FERC.
- Analyze “Future Direction” options unemotionally – that means economic and systematic cost/benefit analysis.
- Working Group to develop proposals for PJM, NY, NE and IMO Governance Organizations and Boards to evaluate.

What's Next?

- Strengthen MOU Process (e.g. NYSEG Proposal).
- Discuss establishment of “Future Direction” Working Group at MOU BP Working Group meeting on July 9th.
- If Working Group is established – inform FERC (may improve FERC RTO Orders on PJM, NY & NE).