
NYISO President's Report

*Management Committee Meeting
October 17, 2003*

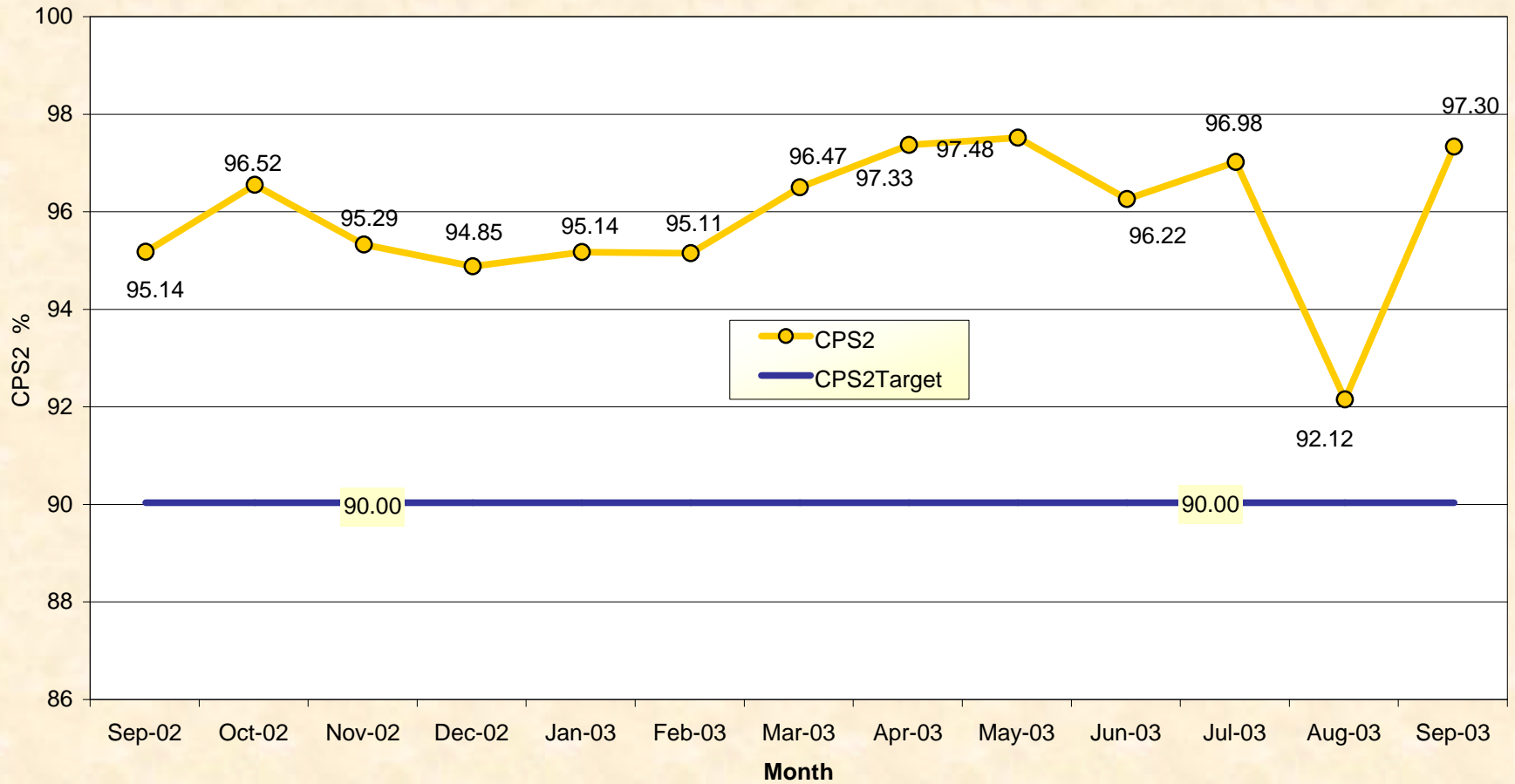
Agenda #3

Report Items

- 1) Reliability Indicators
 - *NERC Criteria (CPS-2 Curve)*
- 2) Market Performance Highlights
- 3) Blackout Report and Schedule
- 4) Strategic Plan Schedule
- 5) SAS 70 Final Report
- 6) NYISO Management Report @ FERC SMD Meeting on 10/20/03

NERC Control Performance Standard

NYISO Compliance
Year 2002/2003

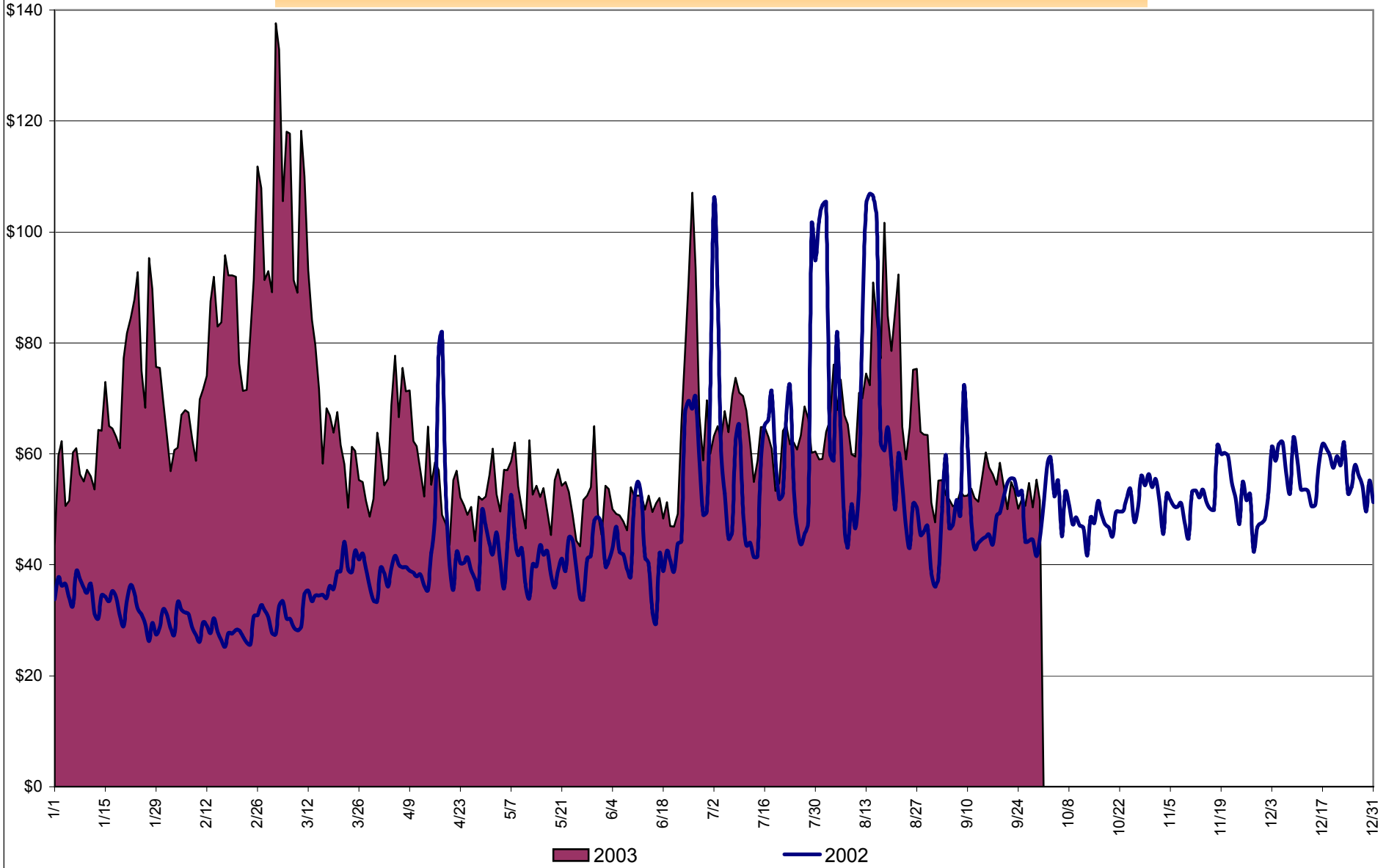


CPS2 for September = 97.30% Compliance Threshold = 90%
CPS2 measures excessive unscheduled power flow resulting from large Area Control Error (ACE)

Market Performance Highlights for September 2003

- Energy and Ancillary Service Prices have dropped substantially compared to August.
- A seasonal drop in uplift payments is noted.
- The level of virtual trading authorization continues to increase.
- Average Monthly Fuel Prices before taxes and delivery are down for all fuels relative to last month.
- Price Corrections and Reservations dropped by nearly 50% from previous month, and are now back to historical levels.

Average Daily NYISO - Administered Total Price (Energy & Ancillary Services)
2002 Annual Average \$49.77/MWH
September 2002 YTD Average \$48.54/MWH
September 2003 YTD Average \$66.12/MWH

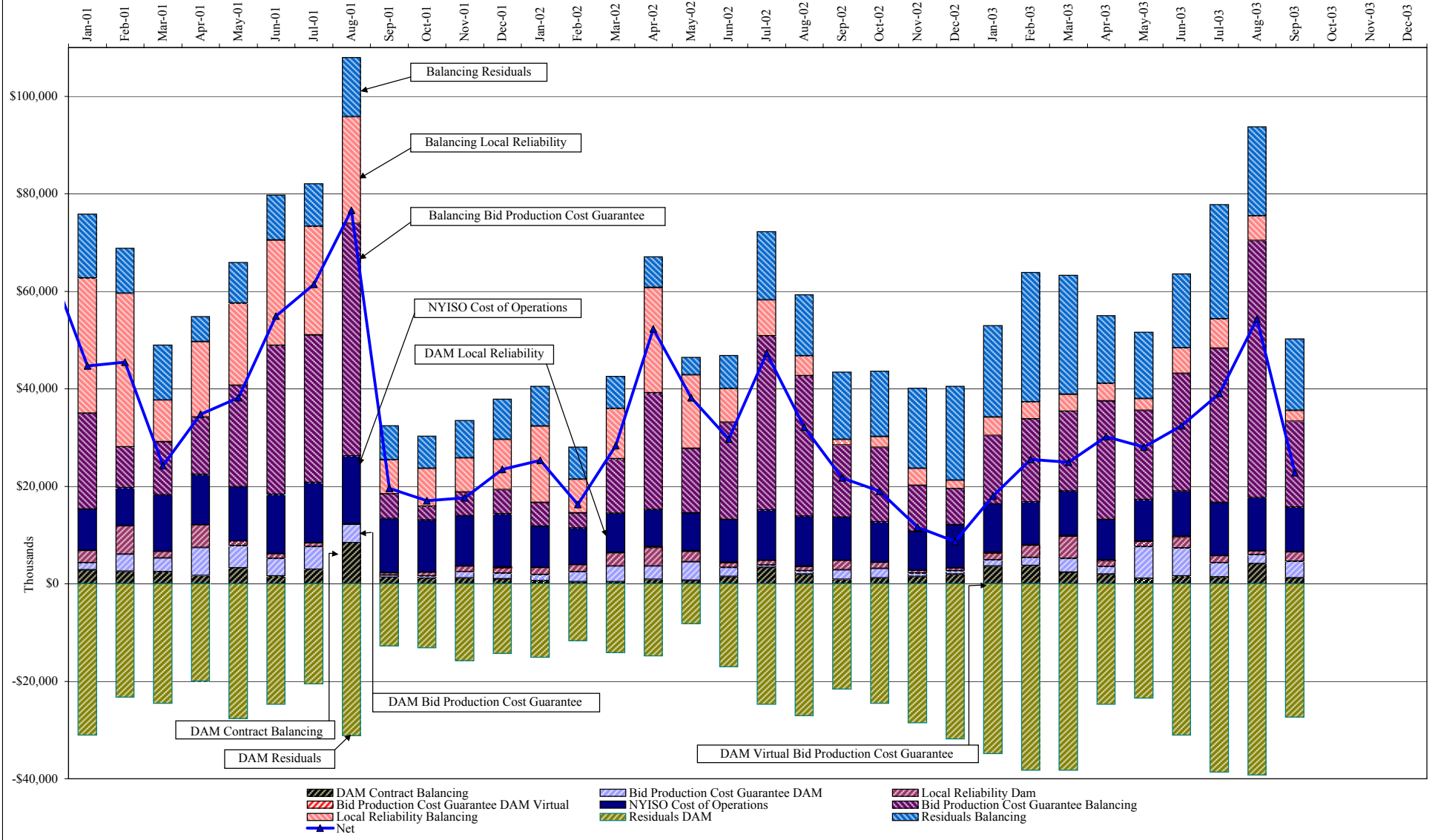


NYISO Administered Total Price (Energy and Ancillary Services)

from the LBMP Customer point of view

2003		January	February	March	April	May	June	July	August	September	October	November	December
	LBMP	66.40	76.66	78.36	54.27	49.76	57.43	60.10	68.14	50.82			
	NTAC	0.41	0.35	0.66	0.45	0.44	0.39	0.53	0.36	0.24			
	Reserve	0.46	0.35	0.45	0.39	0.47	0.25	0.15	0.22	0.13			
	Regulation	0.26	0.27	0.37	0.31	0.65	0.31	0.19	0.17	0.31			
	NYISO Cost of Operations	0.68	0.68	0.68	0.68	0.68	0.68	0.69	0.69	0.68			
	Uplift	0.32	1.04	0.99	1.68	1.48	1.58	1.74	2.44	0.93			
	Voltage Support and Black Start	0.33	0.33	0.33	0.33	0.34	0.33	0.34	0.34	0.33			
	Avg Monthly Price	68.87	79.69	81.83	58.13	53.82	60.98	63.73	72.36	53.45			
	Avg YTD Price	68.87	74.03	76.59	72.20	68.80	67.41	66.74	67.63	66.12			
2002		January	February	March	April	May	June	July	August	September	October	November	December
	LBMP	30.32	26.58	32.02	39.03	37.48	45.59	60.80	65.60	46.88	48.13	50.10	54.76
	NTAC	0.53	0.48	0.45	0.43	0.47	0.61	1.04	0.52	0.49	0.63	0.39	0.35
	Reserve	0.19	0.19	0.24	0.29	0.21	0.19	0.30	0.33	0.22	0.22	0.31	0.41
	Regulation	0.19	0.19	0.17	0.16	0.26	0.24	0.18	0.20	0.27	0.26	0.25	0.25
	NYISO Cost of Operations	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.62	0.63
	Uplift	1.19	0.67	1.36	3.70	2.34	1.35	2.28	1.32	0.86	0.79	0.22	(0.14)
	Voltage Support and Black Start	0.34	0.33	0.33	0.34	0.34	0.33	0.33	0.33	0.33	0.33	0.33	0.33
	Avg Monthly Price	33.39	29.08	35.21	44.58	41.72	48.94	65.56	68.94	49.68	50.99	52.24	56.60
	Avg YTD Price	33.39	31.37	32.69	35.71	36.83	39.06	44.35	48.39	48.54	48.78	49.10	49.77
2001		January	February	March	April	May	June	July	August	September	October	November	December
	LBMP	61.52	44.29	49.98	48.60	52.84	50.31	46.58	71.97	35.33	31.05	31.53	29.23
	NTAC	0.39	0.21	0.59	0.35	0.51	0.41	0.30	0.35	0.38	0.39	0.40	0.61
	Reserve	0.47	0.29	0.42	0.43	0.59	0.44	0.55	1.40	0.43	0.25	0.27	0.25
	Regulation	0.07	0.07	0.10	0.10	0.13	0.08	0.08	0.06	0.14	0.18	0.15	0.18
	NYISO Cost of Operations	0.65	0.59	0.89	0.89	0.88	0.88	0.88	0.88	0.88	0.83	0.88	0.88
	Uplift	2.62	2.85	0.88	2.04	2.98	3.12	3.71	4.27	0.67	0.54	0.52	0.94
	Voltage Support and Black Start	0.34	0.34	0.34	0.34	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33
	Avg Monthly Price	66.05	48.64	53.20	52.75	58.27	55.58	52.44	79.28	38.17	33.57	34.10	32.44
	Avg YTD Price	66.05	58.08	56.55	55.72	56.21	56.09	55.41	59.68	57.12	54.63	52.99	51.42
2000		January	February	March	April	May	June	July	August	September	October	November	December
	LBMP	46.01	41.33	32.62	32.05	50.39	79.35	51.46	63.48	54.29	53.84	52.16	62.85
	NTAC	0.47	0.20	0.25	0.65	0.60	0.46	0.39	0.42	0.22	0.32	0.30	0.20
	Reserve	1.44	5.64	2.68	0.27	0.68	0.66	0.31	0.49	0.64	0.44	0.33	0.37
	Regulation	0.19	0.35	0.42	0.33	0.14	0.01	0.10	0.04	0.07	0.09	0.08	0.07
	NYISO Cost of Operations	1.14	(0.46)	(0.61)	0.47	0.76	0.89	0.88	1.81	1.89	0.43	0.48	0.49
	Uplift	0.16	0.05	(0.29)	0.27	3.37	3.31	1.13	3.80	2.85	0.96	0.38	3.70
	Voltage Support and Black Start	0.38	0.37	0.37	0.37	0.38	0.38	0.38	0.37	0.39	0.40	0.40	0.40
	Avg Monthly Price	49.78	47.49	35.45	34.40	56.33	85.06	54.64	70.43	60.36	56.48	54.13	68.07
	Avg YTD Price	49.78	48.70	44.05	41.62	45.14	53.74	53.91	56.57	57.09	57.02	56.75	57.90

NYISO Dollar Flows - Uplift - OATT Schedule 1 components



DAM Contract Balancing amounts are for payments made to generating units go make them whole for being dispatched below their Day-Ahead schedule, as a result of out-of-merit dispatches.

DAM Bid Production Cost Guarantees for Virtual Transactions are included in the chart and are shown from the inception of Virtual Transactions. These values are small and cannot be identified on the chart. The value for April 2003 is \$135,233.

DAM residuals are revenue charged or returned to customers due to the under or over collection of funds. On this chart, negative values represent funds returned to Transmission Customers (through Transmission Owners' Transmission Service Charges).

NYISO Markets Transactions

Transactions by Market 2003	January	February	March	April	May	June	July	August	September	October	November	December
Day Ahead Market MWH	14,187,752	12,695,868	13,126,563	11,997,655	12,029,453	13,341,831	15,444,857	15,759,082	13,003,309			
DAM LSE Internal LBMP Energy Sales	46%	48%	46%	49%	46%	48%	55%	57%	49%			
DAM External TC LBMP Energy Sales	1%	1%	1%	1%	2%	2%	1%	0%	1%			
DAM Bilateral - Internal Bilaterals	50%	49%	50%	46%	49%	46%	43%	40%	48%			
DAM Bilateral - Import/Non-LBMP Market Bilaterals	1%	1%	1%	1%	0%	0%	0%	0%	0%			
DAM Bilateral - Export/Non-LBMP Market Bilaterals	1%	1%	2%	1%	1%	1%	1%	1%	1%			
DAM Bilateral - Wheel Through Bilaterals	1%	1%	1%	2%	2%	2%	1%	1%	1%			
Balancing Energy Market MWH	347,539	285,381	376,222	235,800	278,939	291,519	208,142	-55,913	394,363			
Balancing Energy LSE Internal LBMP Energy Sales	58%	35%	52%	72%	48%	39%	53%	-146%	65%			
Balancing Energy External TC LBMP Energy Sales	58%	80%	95%	73%	69%	78%	79%	242%	44%			
Balancing Energy Bilateral - Internal Bilaterals	-6%	-10%	-2%	0%	-5%	5%	-2%	-75%	1%			
Balancing Energy Bilateral - Import/Non-LBMP Market Bilaterals	4%	1%	1%	1%	1%	0%	0%	2%	0%			
Balancing Energy Bilateral - Export/Non-LBMP Market Bilaterals	0%	0%	-38%	0%	0%	0%	0%	-14%	0%			
Balancing Energy Bilateral - Wheel Through Bilaterals	-14%	-7%	-8%	-46%	-14%	-23%	-31%	-109%	-10%			
Transactions Summary 2003												
LBMP	49%	50%	49%	52%	49%	52%	56%	58%	51%			
Internal Bilaterals	48%	47%	48%	45%	48%	46%	42%	40%	46%			
Import Bilaterals	1%	1%	1%	1%	0%	0%	0%	0%	0%			
Export Bilaterals	1%	1%	1%	1%	1%	1%	1%	1%	1%			
Wheels Through	1%	1%	1%	1%	1%	1%	1%	1%	0%			
Market Share of Total Load 2003												
Day Ahead Market	97.6%	97.8%	97.2%	98.1%	97.7%	97.9%	98.7%	100.4%	97.1%			
Balancing Energy +	2.4%	2.2%	2.8%	1.9%	2.3%	2.1%	1.3%	-0.4%*	2.9%			
Total MWH	14,535,291	12,981,249	13,502,785	12,233,455	12,308,392	13,633,350	15,652,999	15,703,169	13,397,672			
Average Daily Energy Sendout/Month GWh	458	450	418	393	382	432	497	498	433			

Transactions by Market 2002

Day Ahead Market MWH	13,580,547	12,016,720	12,760,385	11,863,525	12,561,505	14,043,673	16,297,012	16,165,944	13,922,494	12,859,329	12,470,189	13,580,220
DAM LSE Internal LBMP Energy Sales	44%	42%	43%	45%	40%	43%	50%	51%	46%	46%	49%	47%
DAM External TC LBMP Energy Sales	0%	1%	1%	1%	1%	2%	3%	1%	2%	1%	1%	2%
DAM Bilateral - Internal Bilaterals	51%	52%	51%	49%	55%	51%	45%	45%	49%	50%	46%	49%
DAM Bilateral - Import/Non-LBMP Market Bilaterals	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	1%
DAM Bilateral - Export/Non-LBMP Market Bilaterals	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
DAM Bilateral - Wheel Through Bilaterals	3%	3%	3%	3%	2%	2%	1%	2%	2%	1%	1%	1%
Balancing Energy Market MWH	-214,495	-30,504	32,311	224,671	-98,746	-69,632	88,020	79,918	112,928	350,988	339,372	514,175
Balancing Energy LSE Internal LBMP Energy Sales	-17%	410%	821%	182%	-10%	148%	311%	18%	-77%	61%	52%	59%
Balancing Energy External TC LBMP Energy Sales	5%	39%	-36%	-15%	44%	-95%	-165%	89%	189%	37%	44%	30%
Balancing Energy Bilateral - Internal Bilaterals	1%	-51%	8%	12%	10%	14%	-19%	27%	17%	-2%	3%	3%
Balancing Energy Bilateral - Import/Non-LBMP Market Bilaterals	13%	27%	24%	3%	8%	15%	24%	19%	14%	8%	9%	9%
Balancing Energy Bilateral - Export/Non-LBMP Market Bilaterals	0%	0%	0%	0%	1%	2%	0%	1%	0%	0%	0%	0%
Balancing Energy Bilateral - Wheel Through Bilaterals	-103%	-524%	-717%	-84%	-154%	-183%	-52%	-55%	-42%	-4%	-8%	-2%
Transactions Summary 2002												
LBMP	45%	44%	46%	48%	42%	46%	53%	52%	49%	49%	52%	50%
Internal Bilaterals	52%	52%	51%	49%	55%	51%	45%	45%	48%	48%	45%	47%
Import Bilaterals	1%	1%	1%	0%	0%	0%	0%	0%	0%	1%	1%	1%
Export Bilaterals	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Wheels Through	1%	2%	1%	1%	1%	2%	1%	1%	1%	1%	1%	1%
Market Share of Total Load 2002												
Day Ahead Market	101.6%	100.3%	99.7%	98.1%	100.8%	100.5%	99.5%	99.5%	99.2%	97.3%	97.4%	96.4%
Balancing Energy +	-1.6%*	-0.3%*	0.3%	1.9%	-0.8%*	-0.5%*	0.5%	0.5%	0.8%	2.7%	2.6%	3.6%
Total MWH	13,366,052	11,986,216	12,792,696	12,088,196	12,462,759	13,974,041	16,385,032	16,245,862	14,035,422	13,210,317	12,809,561	14,094,395
Average Daily Energy Sendout/Month GWh	427	418	403	397	388	449	513	511	444	412	413	440

+ Balancing Energy: Load(MW) purchased at Real Time LBMP.

* The signs for the detail section intuitively reflect the direction of power flow eliminating the use of double negatives when Balancing Energy is negative.

Note: Virtual Transactions are not reflected in this chart.

NYISO Markets 2003 Energy Statistics

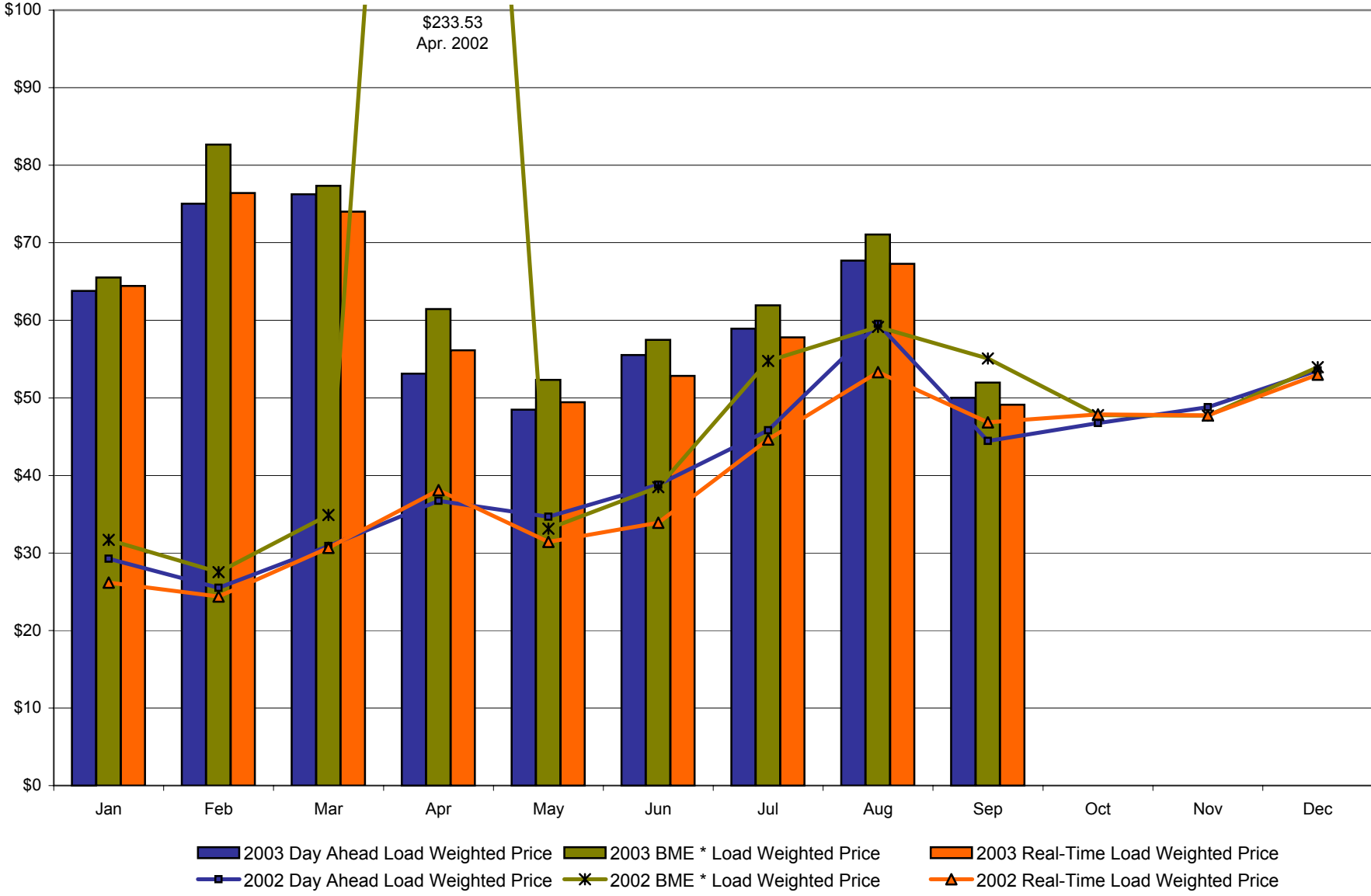
	January	February	March	April	May	June	July	August	September	October	November	December
<u>DAY AHEAD LBMP</u>												
Unweighted Price	\$61.33	\$72.81	\$73.18	\$51.58	\$46.43	\$51.45	\$57.10	\$64.94	\$48.29			
Standard Deviation	\$20.09	\$21.12	\$29.70	\$12.47	\$14.03	\$21.27	\$11.88	\$18.06	\$11.04			
Load Wtg.Price	\$63.81	\$75.03	\$76.25	\$53.14	\$48.47	\$55.52	\$58.93	\$67.71	\$50.02			
<u>BME * LBMP</u>												
Unweighted Price	\$63.19	\$80.25	\$74.27	\$59.22	\$50.27	\$53.84	\$59.99	\$67.63	\$50.34			
Standard Deviation	\$25.43	\$41.53	\$32.77	\$25.00	\$16.37	\$22.27	\$14.82	\$72.20	\$14.01			
Load Wtg.Price	\$65.54	\$82.65	\$77.33	\$61.45	\$52.31	\$57.49	\$61.94	\$71.07	\$51.96			
<u>REAL TIME LBMP</u>												
Unweighted Price	\$61.53	\$74.03	\$70.54	\$53.94	\$46.74	\$48.96	\$55.94	\$64.32	\$47.24			
Standard Deviation	\$30.16	\$37.46	\$37.97	\$28.70	\$23.03	\$21.57	\$13.68	\$34.91	\$15.52			
Load Wtg.Price	\$64.43	\$76.41	\$74.02	\$56.14	\$49.44	\$52.82	\$57.79	\$67.27	\$49.12			
Average Daily Energy Sendout/Month GWh	458	450	418	393	382	432	497	498	433			

NYISO Markets 2002 Energy Statistics

	January	February	March	April	May	June	July	August	September	October	November	December
<u>DAY AHEAD LBMP</u>												
Unweighted Price	\$28.39	\$24.93	\$30.07	\$35.25	\$33.36	\$38.96	\$51.07	\$54.86	\$42.58	\$45.16	\$47.30	\$52.01
Standard Deviation	\$7.26	\$4.61	\$7.28	\$11.57	\$8.76	\$15.32	\$23.15	\$29.88	\$11.72	\$11.61	\$11.72	\$12.28
Load Wtg.Price	\$29.25	\$25.50	\$30.88	\$36.72	\$34.66	\$38.81	\$45.81	\$59.54	\$44.43	\$46.76	\$48.79	\$53.54
<u>BME * LBMP</u>												
Unweighted Price	\$30.66	\$26.84	\$33.53	\$191.03	\$31.43	\$38.57	\$63.19	\$55.27	\$51.96	\$45.90	\$46.53	\$52.44
Standard Deviation	\$11.22	\$7.60	\$13.84	\$1,020.88	\$13.91	\$54.74	\$181.17	\$29.34	\$147.55	\$12.10	\$11.07	\$14.74
Load Wtg.Price	\$31.67	\$27.54	\$34.88	\$233.53	\$33.12	\$38.49	\$54.76	\$59.15	\$55.08	\$47.76	\$47.70	\$53.95
<u>REAL TIME LBMP</u>												
Unweighted Price	\$25.36	\$23.73	\$29.78	\$35.44	\$29.80	\$33.98	\$53.70	\$49.74	\$44.08	\$46.16	\$46.13	\$51.04
Standard Deviation	\$8.27	\$8.83	\$10.97	\$25.85	\$13.32	\$16.92	\$66.25	\$24.86	\$34.24	\$17.61	\$18.25	\$22.41
Load Wtg.Price	\$26.17	\$24.39	\$30.67	\$38.10	\$31.42	\$33.91	\$44.63	\$53.32	\$46.85	\$47.88	\$47.75	\$53.01
Average Daily Energy Sendout/Month GWh	427	418	403	397	388	449	513	511	444	412	413	440

* Commonly referred as Hour Ahead Market (HAM)

**NYISO Monthly Average Internal LBMPs
2002 - 2003**



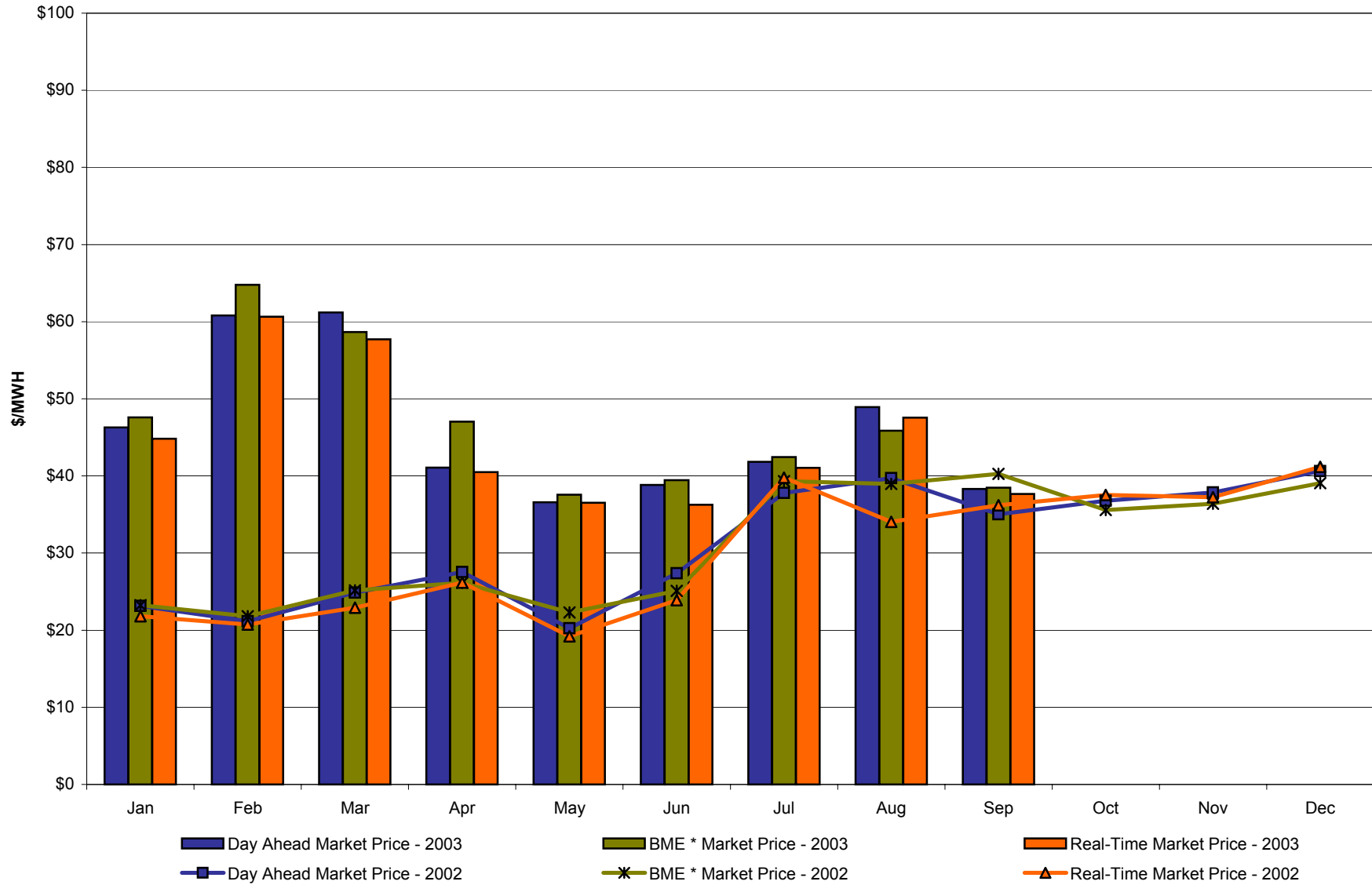
* Commonly referred to as Hour Ahead Market (HAM)

September 2003 Zonal Statistics for NYISO (\$/MWH)

	WEST Zone A	GENESEE Zone B	NORTH Zone D	CENTRAL Zone C	MOHAWK VALLEY Zone E	CAPITAL Zone F	HUDSON VALLEY Zone G	MILLWOOD Zone H	DUNWOODIE Zone I	NEW YORK CITY Zone J	LONG ISLAND Zone K
<u>DAY AHEAD LBMP</u>											
Unweighted Price	38.32	41.06	42.20	41.10	42.97	44.68	45.19	44.78	45.22	56.10	52.15
Standard Deviation	8.91	9.61	9.57	9.61	9.99	10.43	10.94	11.35	11.67	14.31	10.73
<u>BME * LBMP</u>											
Unweighted Price	38.46	40.33	42.17	41.04	42.73	43.60	44.36	45.42	46.29	58.89	60.87
Standard Deviation	11.29	11.74	11.63	11.73	12.07	12.31	12.58	13.62	13.89	18.85	26.25
<u>REAL TIME LBMP</u>											
Unweighted Price	37.66	41.46	40.94	39.75	41.73	43.66	42.68	44.83	45.55	54.94	50.81
Standard Deviation	13.88	14.93	14.72	14.37	15.06	15.63	15.72	16.88	17.12	19.14	18.03
	ONTARIO HYDRO Zone O	HYDRO QUEBEC Zone M	PJM Zone P	NEW ENGLAND Zone N							
<u>DAY AHEAD LBMP</u>											
Unweighted Price	38.04	42.38	36.57	44.74							
Standard Deviation	8.64	9.62	11.93	10.40							
<u>BME * LBMP</u>											
Unweighted Price	36.03	41.87	37.84	43.58							
Standard Deviation	39.05	11.67	38.63	12.35							
<u>REAL TIME LBMP</u>											
Unweighted Price	35.37	40.72	37.33	42.36							
Standard Deviation	39.91	14.75	39.26	15.19							

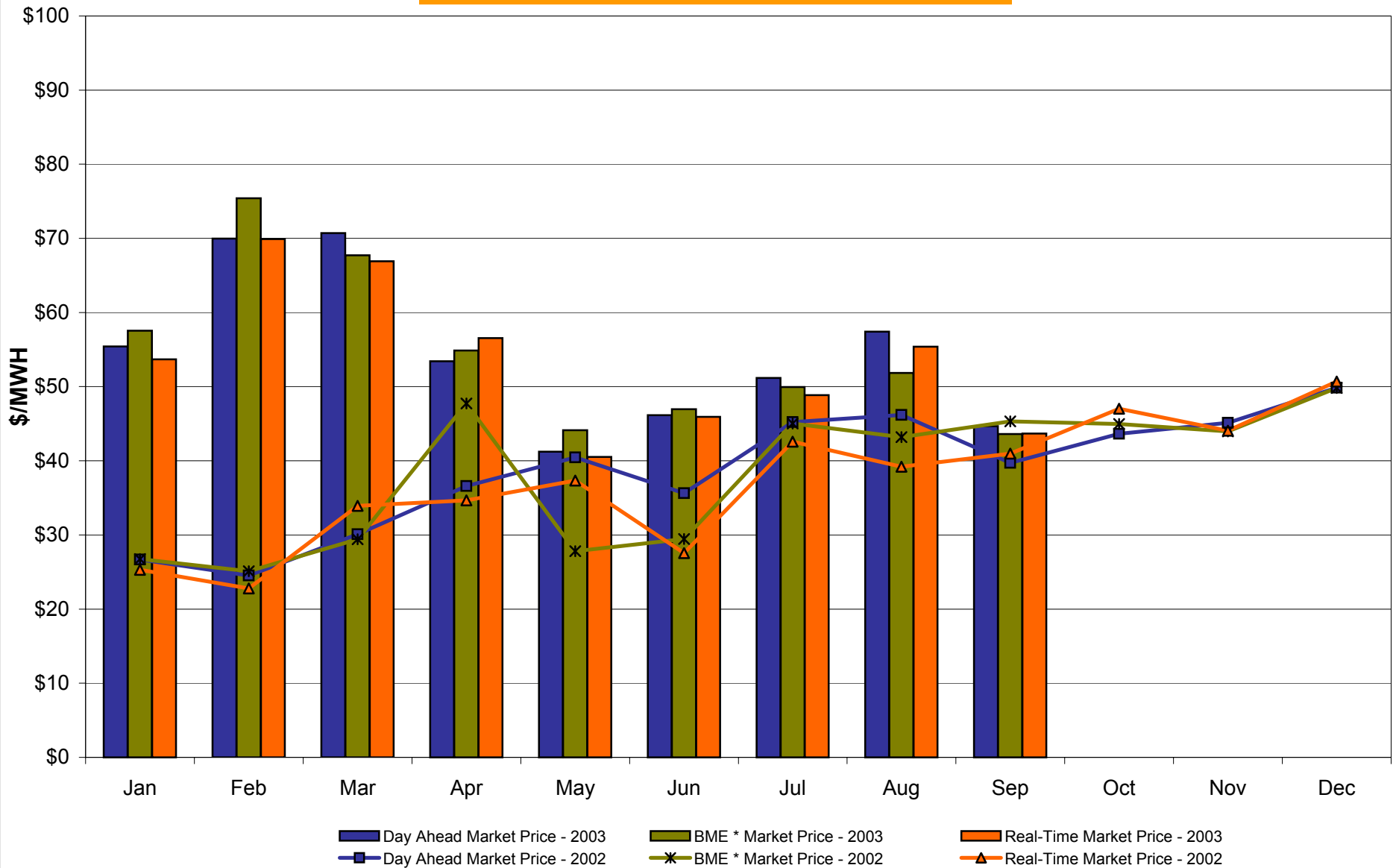
*Commonly Referred as Hour Ahead Market (HAM)

West Zone A
Monthly Average LBMP Prices 2002 - 2003



* Commonly referred to as Hour Ahead Market (HAM)

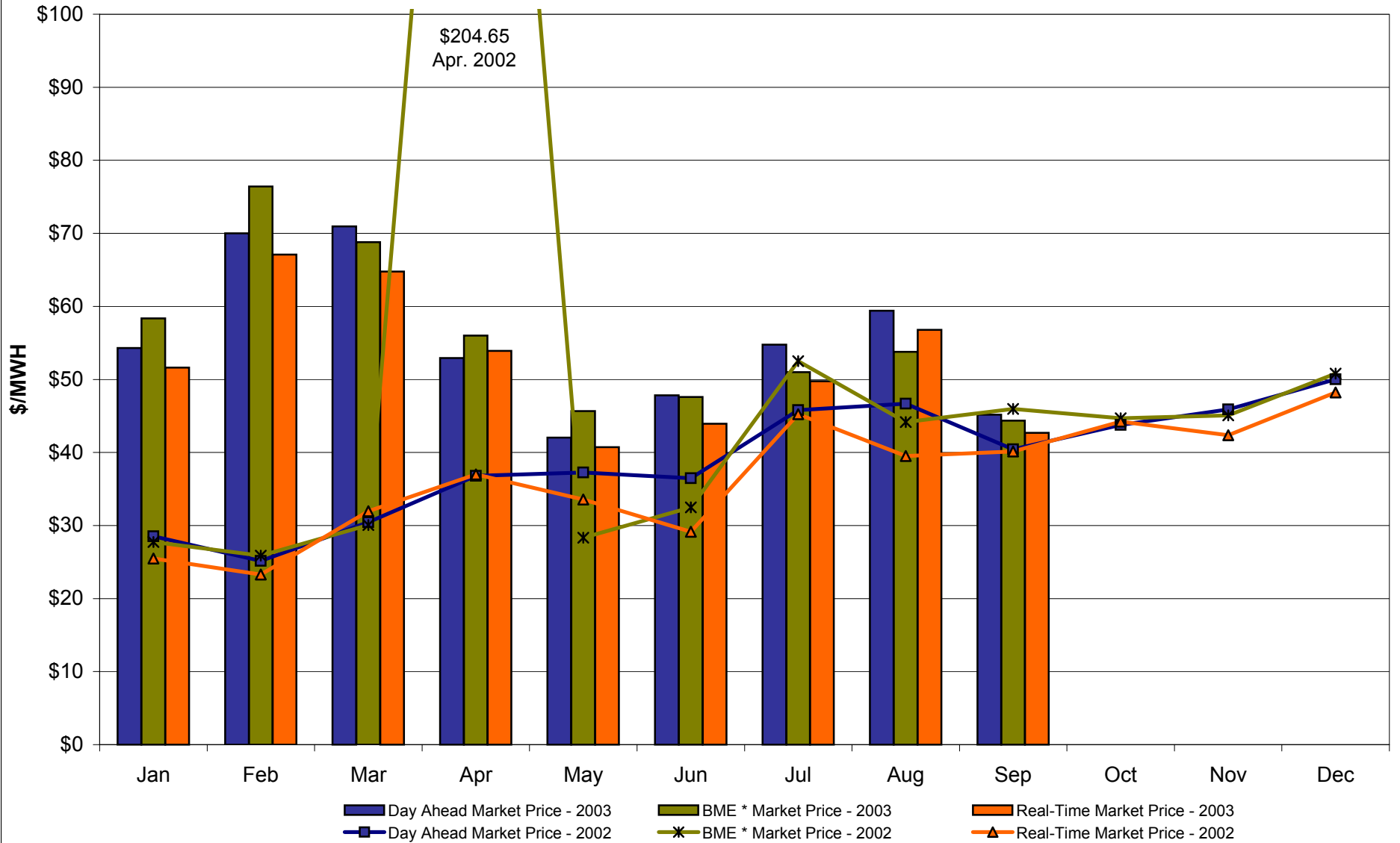
Capital Zone F Monthly Average LBMP Prices 2002 - 2003



* Commonly referred to as Hour Ahead Market (HAM)

4-1

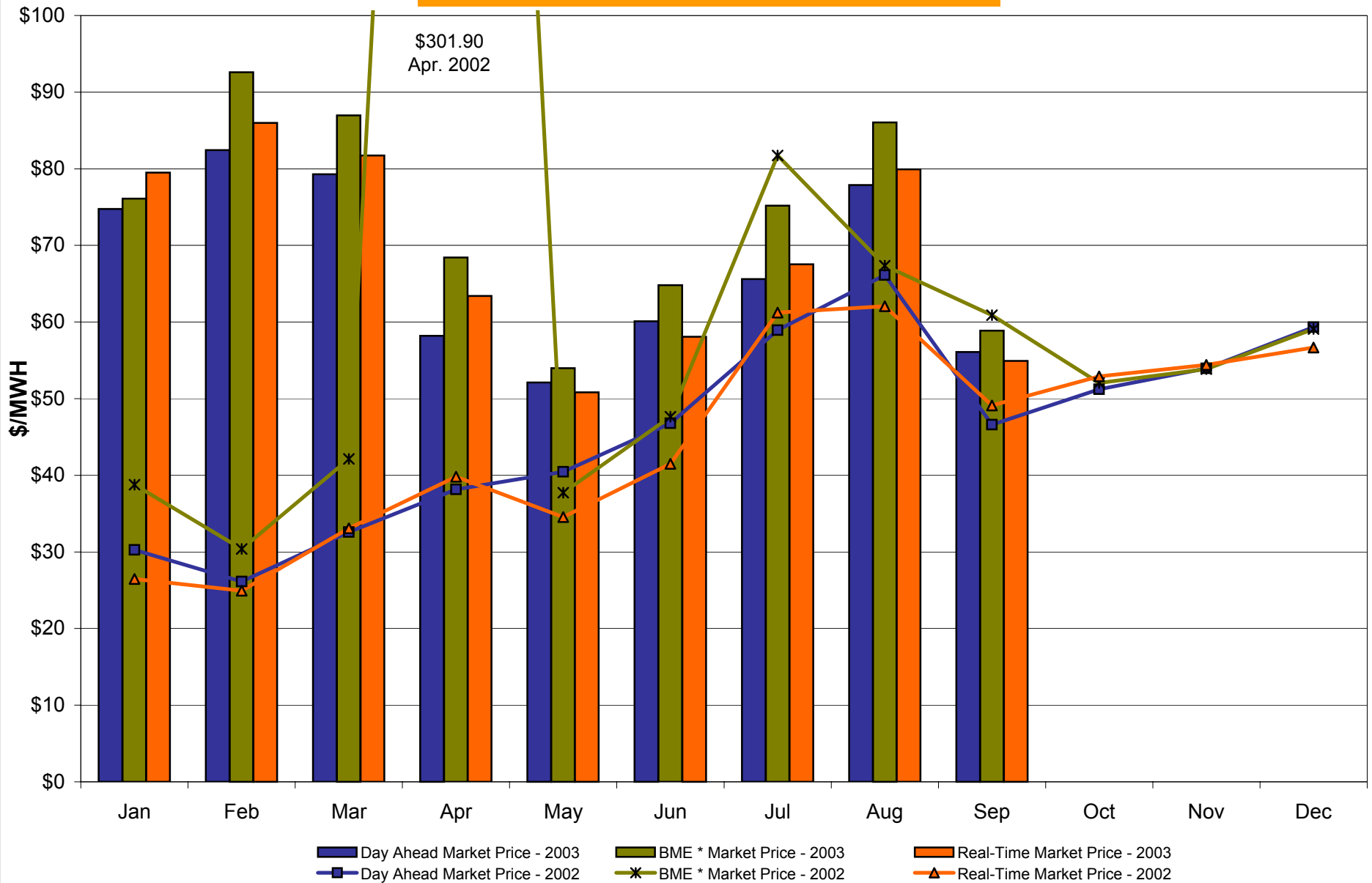
Hudson Valley Zone G Monthly Average LBMP Prices 2002 - 2003



* Commonly referred to as Hour Ahead Market (HAM)

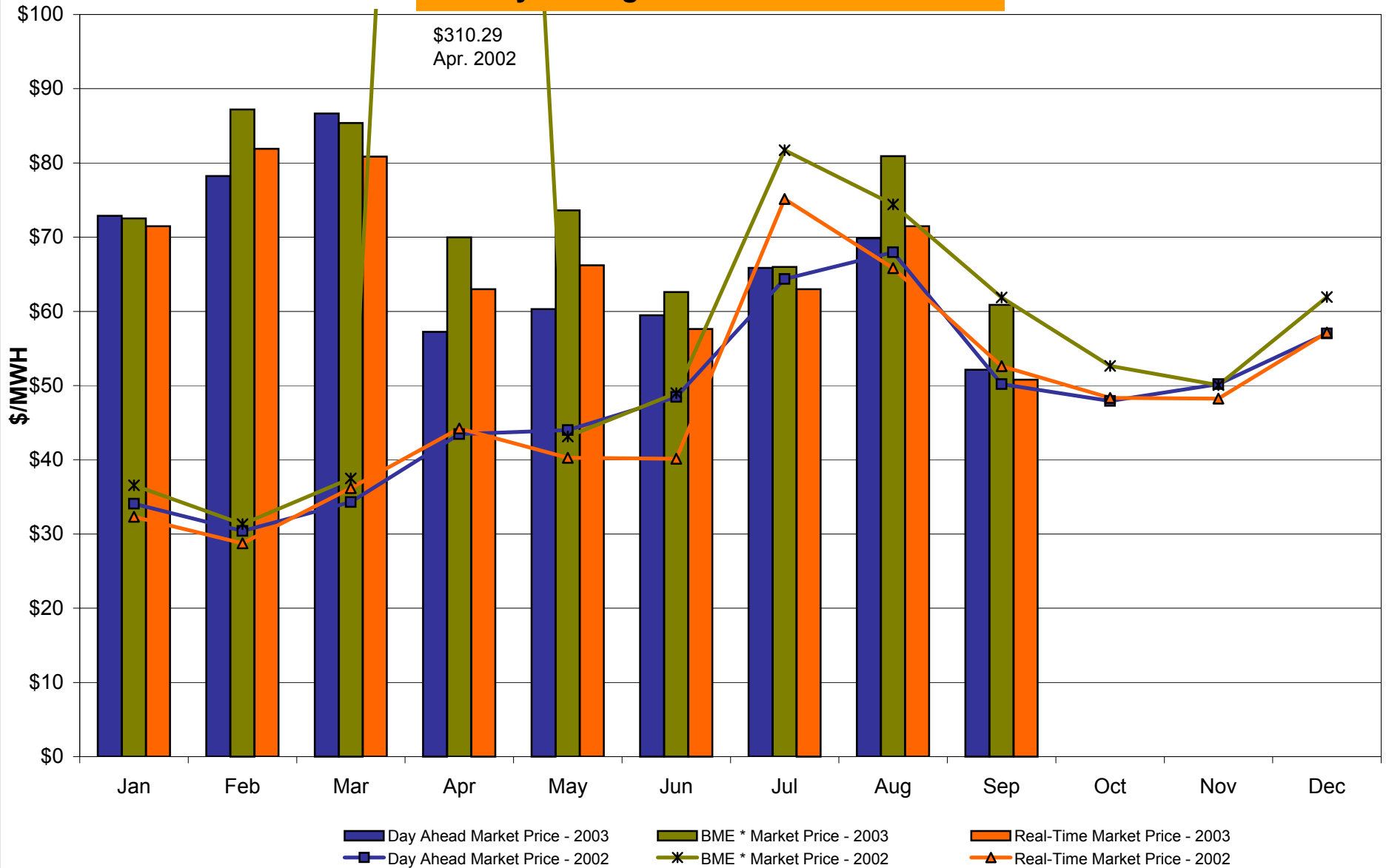
4-J

NYC Zone J Monthly Average LBMP Prices 2002 - 2003



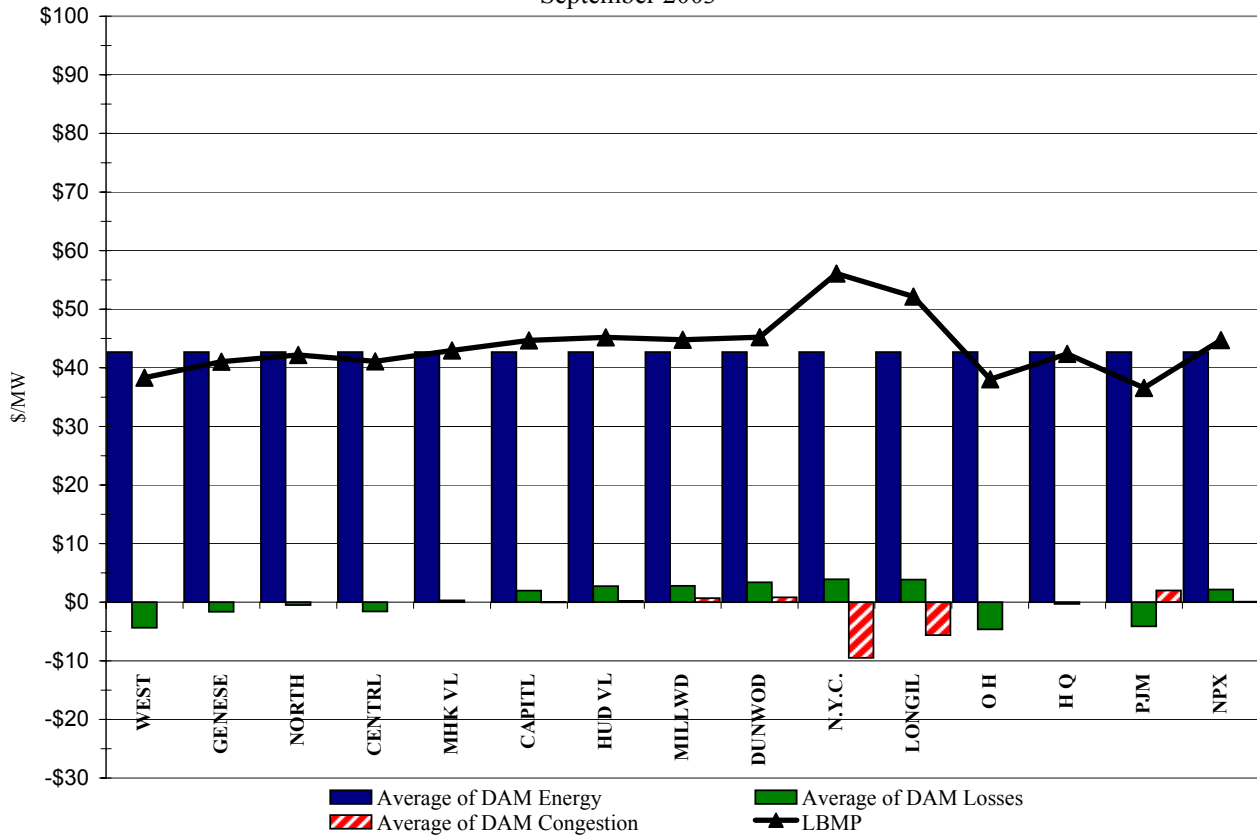
* Commonly referred to as Hour Ahead Market (HAM)

Long Island Zone K Monthly Average LBMP Prices 2002 - 2003

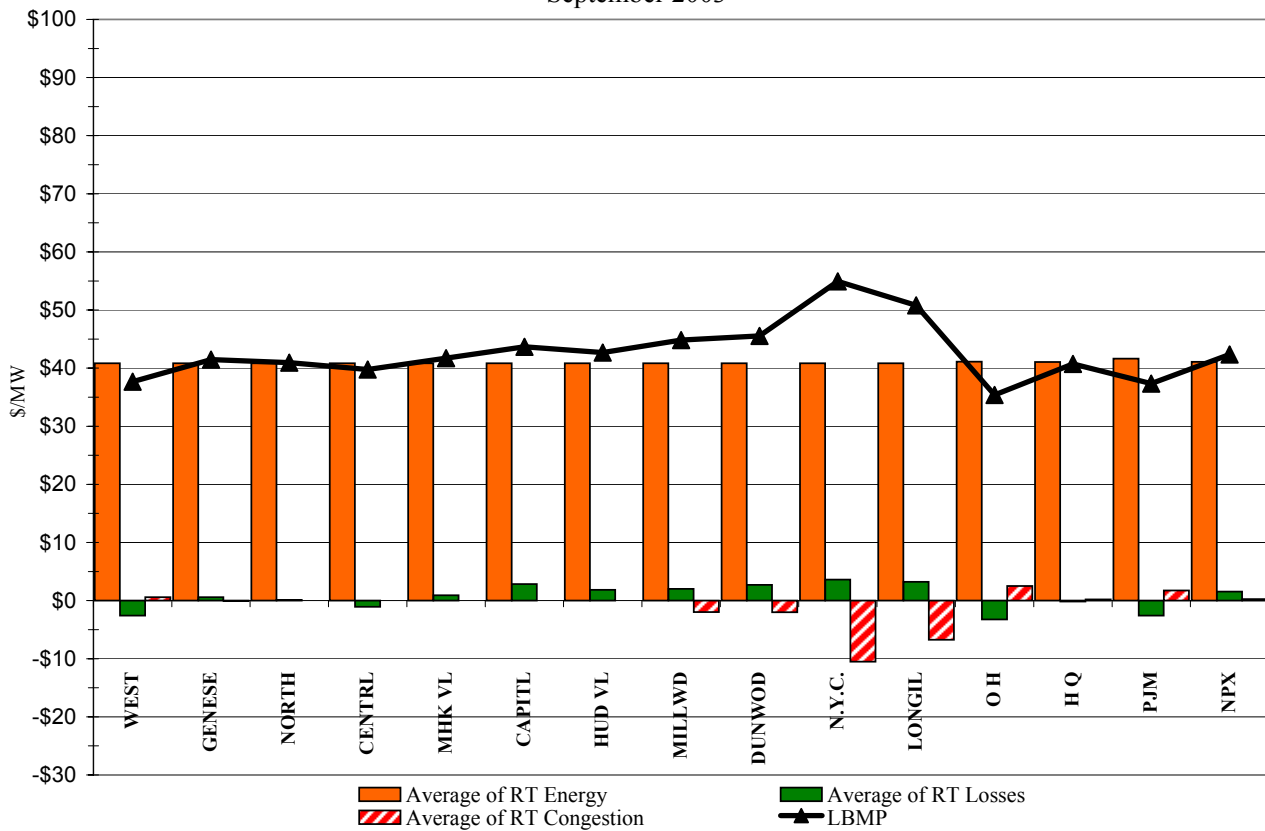


* Commonly referred to as Hour Ahead Market (HAM)

DAM Zonal Unweighted Monthly Average LBMP Components
September 2003

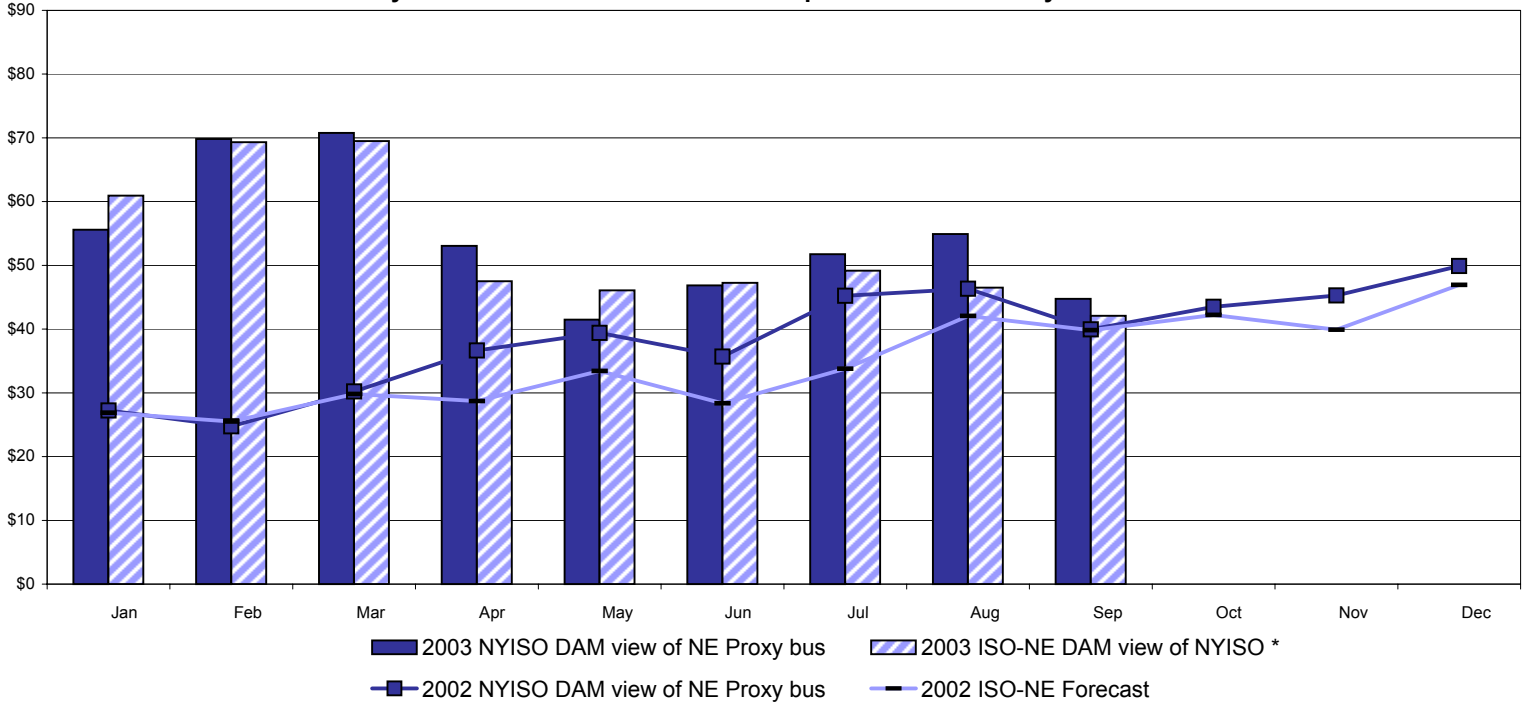


RT Zonal Unweighted Monthly Average LBMP Components
September 2003

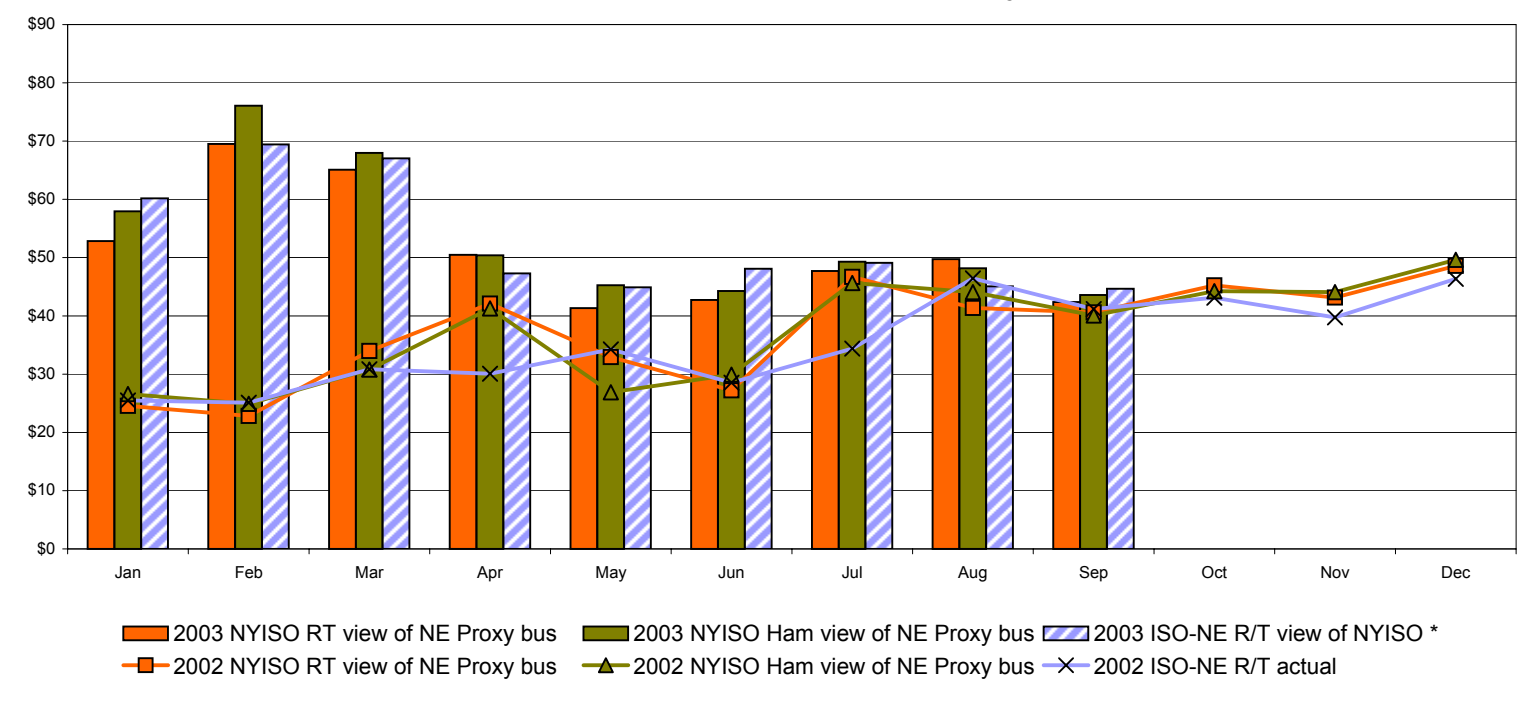


External Comparison ISO-NE

Day Ahead Market External Zone Comparison - ISO-NE only \$/MWH



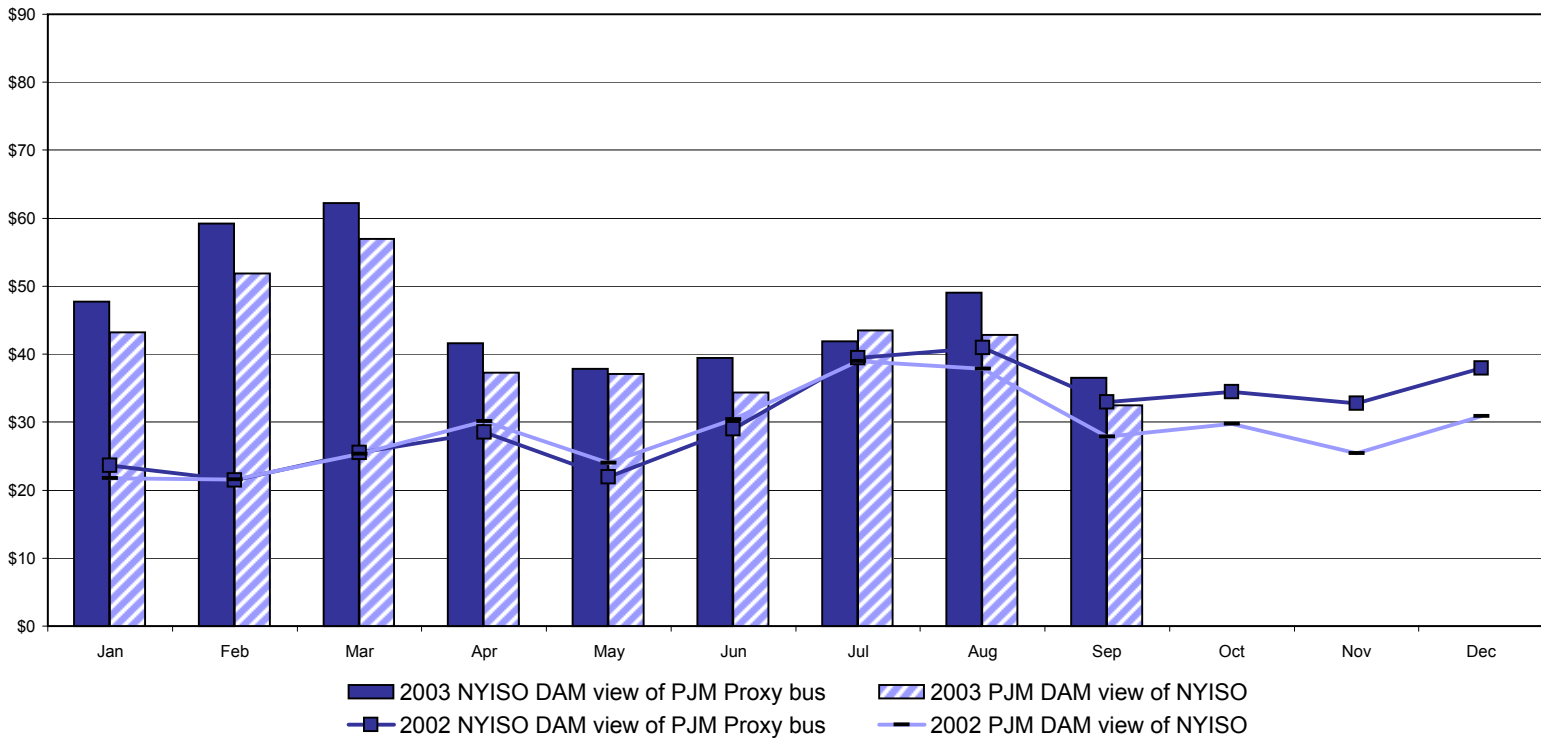
Real Time External Zone Comparison - ISO-NE only \$/MWH



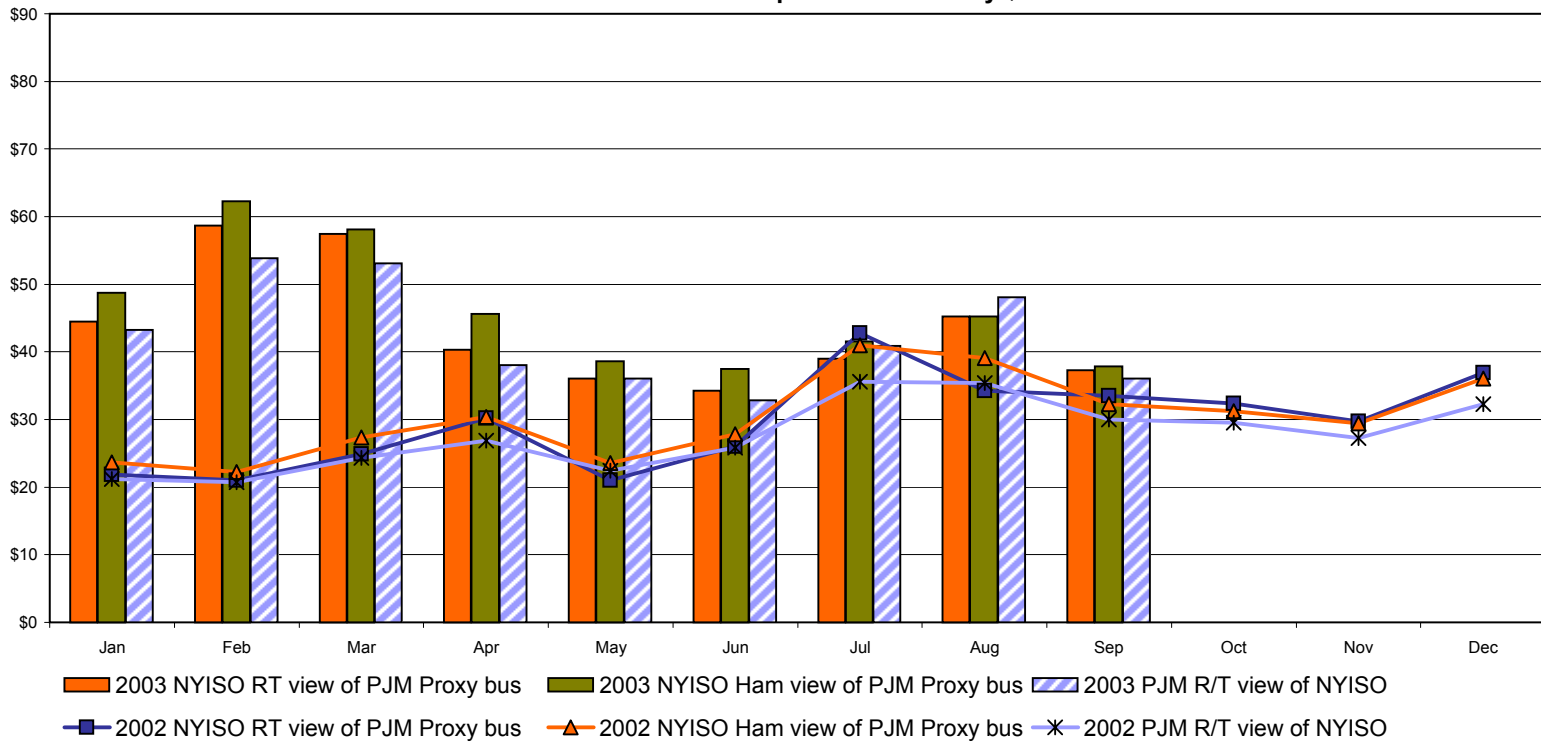
Note:
 ISO-NE Forecast is an advisory posting @ 18:00 day before
 * Effective 3/1/2003 SMD implemented by ISO-NE. The DAM and R/T prices at the Roseton interface are now used.

External Comparison PJM

Day Ahead Market External Zone Comparison - PJM only \$/MWH

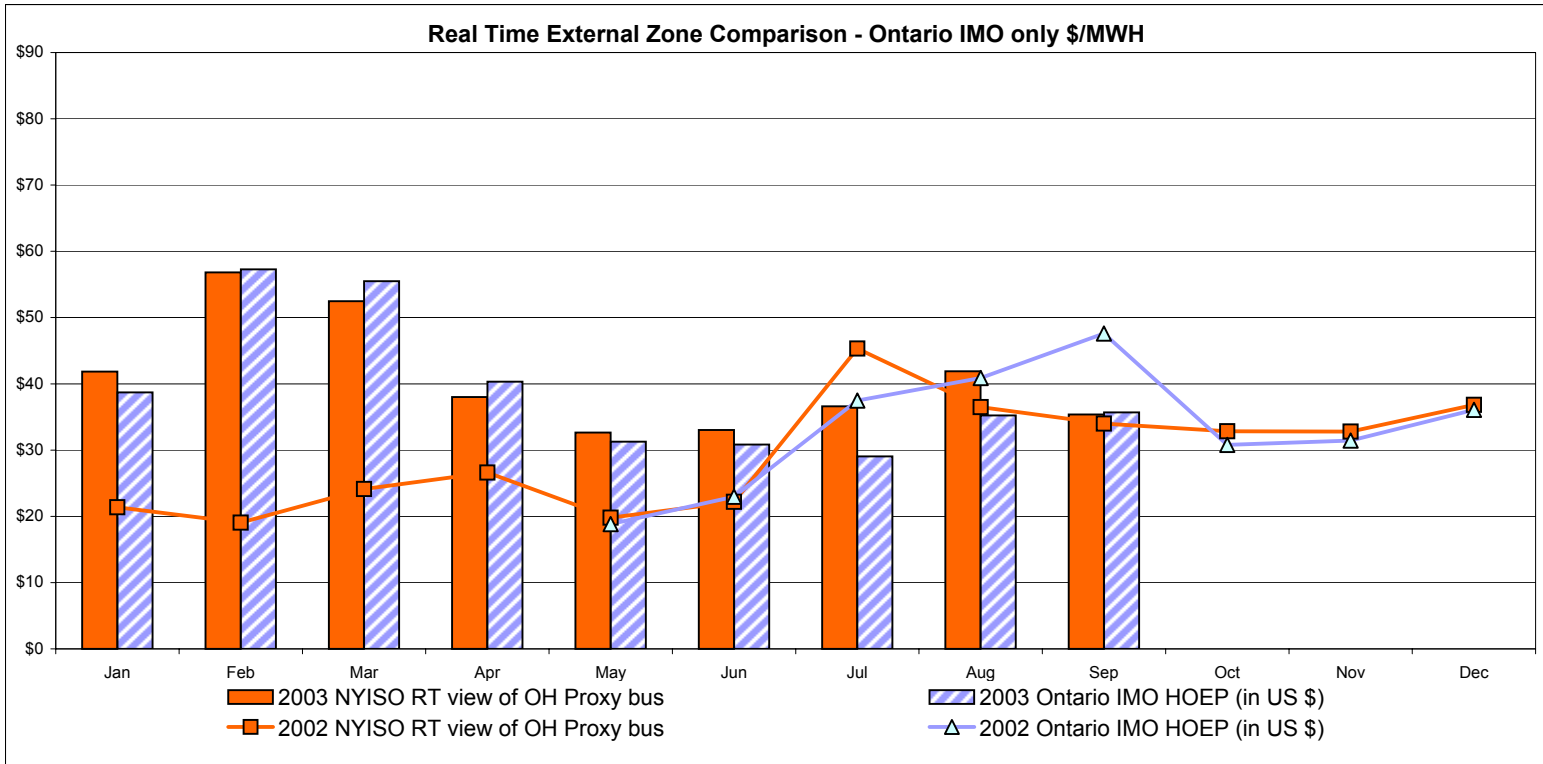
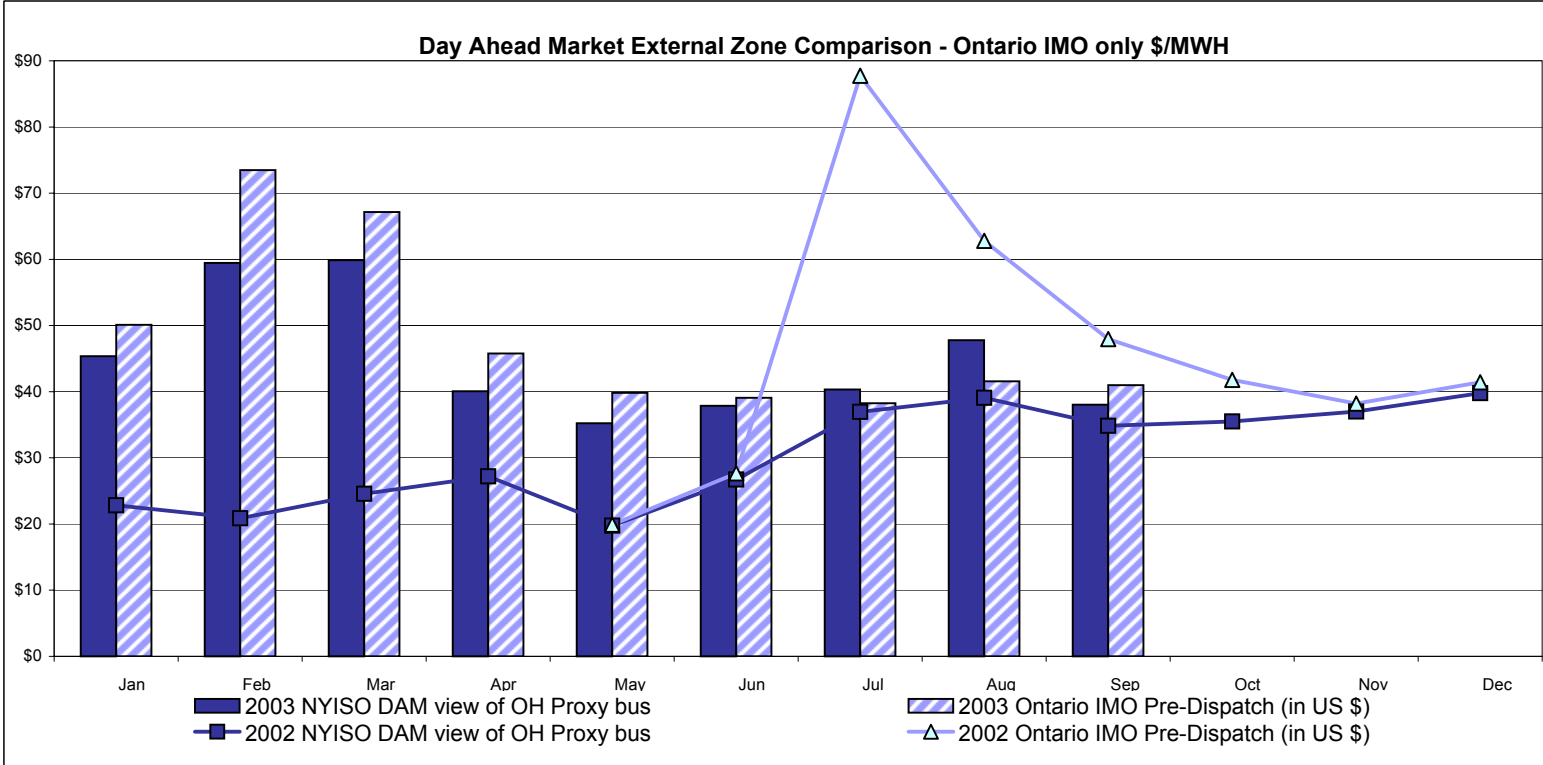


Real Time External Zone Comparison - PJM only \$/MWH



Note:
After 5/1/02 PJM lists only one interface as NYIS

External Comparison Ontario IMO



Notes: Exchange factor used for September 2003 was .73 to US \$
 HOEP: Hourly Ontario Energy Price
 Pre-Dispatch: Projected Energy Price
 Pre-Dispatch data from 8/14/03 Hr 15 thru 8/21/03 not included

NYISO Price Correction Statistics

NYISO Price Corrections 2003

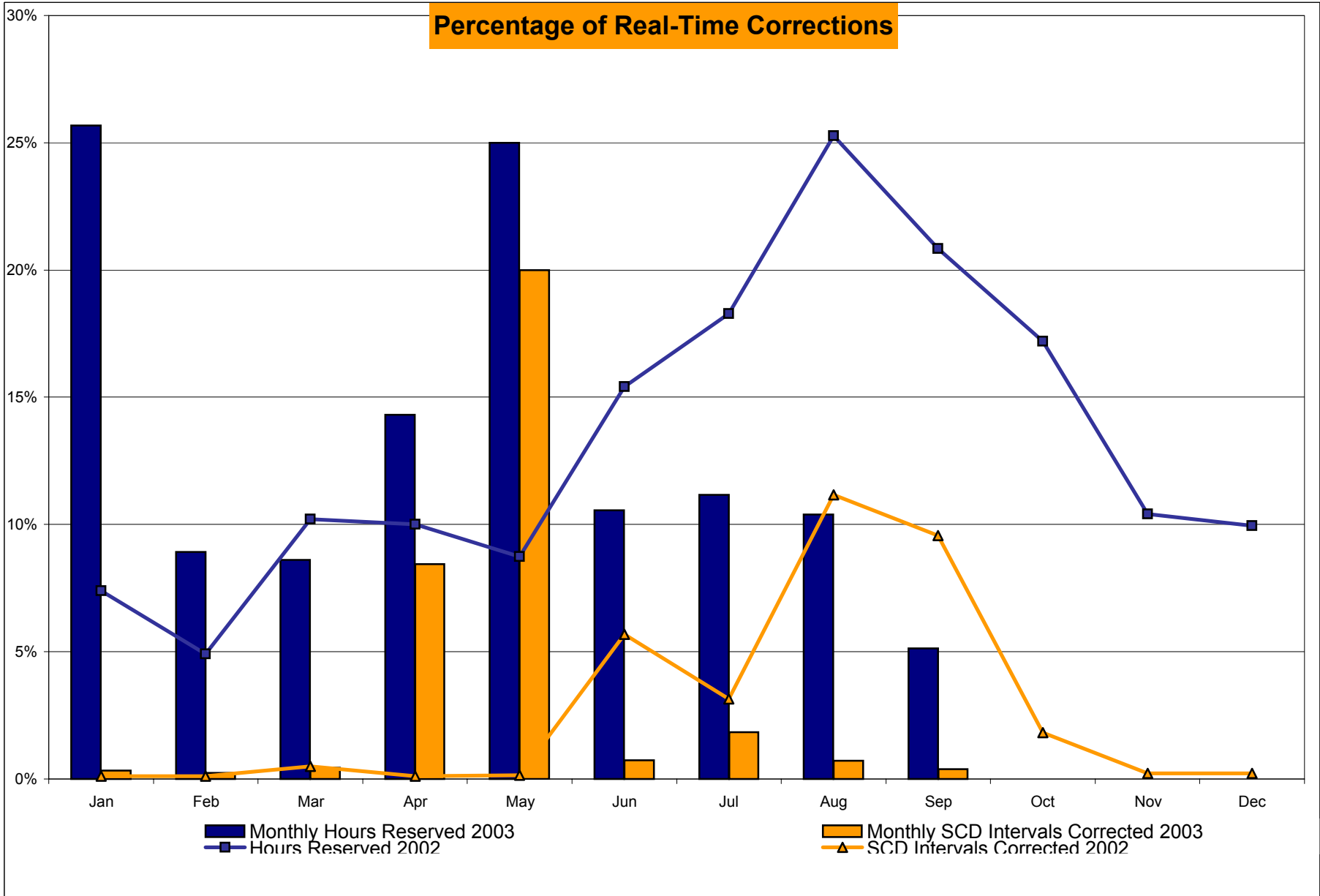
<u>Interval Corrections</u>	January	February	March	April	May	June	July	August	September	October	November	December
Number of Intervals corrected in the month	36	25	49	891	2,254	79	202	71	41			
Number of Intervals in the month	10,986	10,197	10,918	10,554	11,274	10,729	10,998	9,973	10,620			
Percentage of intervals corrected in the month	0.32%	0.25%	0.45%	8.44%	19.99%	0.74%	1.84%	0.71%	0.39%			
Number of Intervals corrected Year-to-date	36	61	110	1,001	3,255	3,334	3,536	3,607	3,648			
Number of Intervals Year-to-date	10,986	21,183	32,101	42,655	53,929	64,658	75,656	85,629	96,249			
Percentage of intervals corrected Year-to-date	0.32%	0.28%	0.34%	2.35%	6.04%	5.16%	4.67%	4.21%	3.79%			
<u>Hours Reserved</u>												
Number of hours reserved in the month	191	60	64	103	186	76	83	69	37			
Number of hours in the month	744	672	744	720	744	720	744	664 *	720			
Percentage of hours reserved in the month	25.67%	8.93%	8.60%	14.31%	25.00%	10.56%	11.16%	10.39%	5.14%			
Number of hours reserved Year-to-date	191	251	315	418	604	680	763	832	869			
Number of hours Year-to-date	744	1,416	2,160	2,880	3,624	4,344	5,088	5,752	6,472			
Percentage of hours reserved Year-to-date	25.67%	15.74%	14.58%	14.51%	16.67%	15.65%	15.00%	14.46%	13.43%			
<u>Days Without Corrections</u>												
Days without price corrections in the month	17	15	14	9	8	8	7	5	9			
Days without price corrections Year-to-date	17	32	46	55	63	71	78	83	92			

NYISO Price Corrections 2002

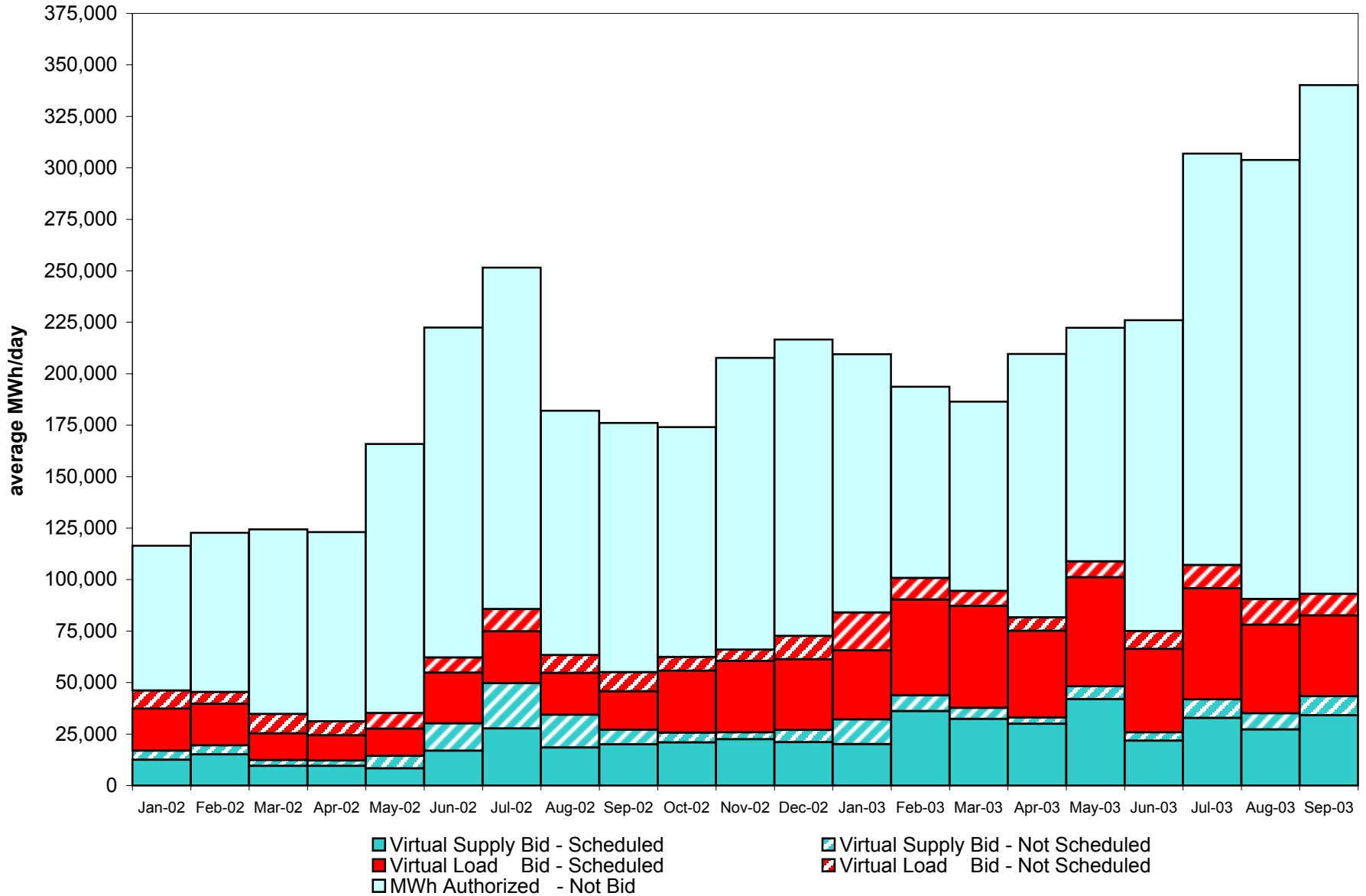
<u>Interval Corrections</u>	January	February	March	April	May	June	July	August	September	October	November	December
Number of Intervals corrected in the month	12	11	55	13	16	616	346	1,261	1,016	201	23	24
Number of Intervals in the month	11,129	10,111	11,231	11,075	11,330	10,845	11,014	11,291	10,632	11,068	10,568	11,043
Percentage of intervals corrected in the month	0.11%	0.11%	0.49%	0.12%	0.14%	5.68%	2.28%	11.17%	9.56%	1.82%	0.22%	0.22%
Number of Intervals corrected Year-to-date	12	23	78	91	107	723	1,069	2,330	3,346	3,547	3,570	3,594
Number of Intervals Year-to-date	11,129	21,240	32,471	43,546	54,876	65,721	76,735	88,026	98,658	109,726	120,294	131,337
Percentage of intervals corrected Year-to-date	0.11%	0.11%	0.24%	0.21%	0.19%	1.10%	1.27%	2.65%	3.39%	3.23%	2.97%	2.74%
<u>Hours Reserved</u>												
Number of hours reserved in the month	55	33	76	72	65	111	136	188	150	128	75	74
Number of hours in the month	744	672	744	720	744	720	744	744	720	744	720	744
Percentage of hours reserved in the month	7.26%	4.91%	10.22%	10.00%	8.74%	15.42%	18.28%	25.27%	20.83%	17.20%	10.42%	9.95%
Number of hours reserved Year-to-date	55	88	164	236	301	412	548	736	886	1,014	1,089	1,163
Number of hours Year-to-date	744	1,416	2,160	2,880	3,624	4,344	5,088	5,832	6,552	7,296	8,016	8,760
Percentage of hours reserved Year-to-date	7.26%	6.14%	7.55%	8.16%	8.31%	9.48%	10.77%	12.62%	13.52%	13.90%	13.59%	13.28%
<u>Days Without Corrections</u>												
Days without price corrections in the month	25	20	27	23	20	12	11	5	10	15	19	17
Days without price corrections Year-to-date	25	45	72	95	115	127	138	143	153	168	187	204

* 80 hours not included due to suspended market during system disruption

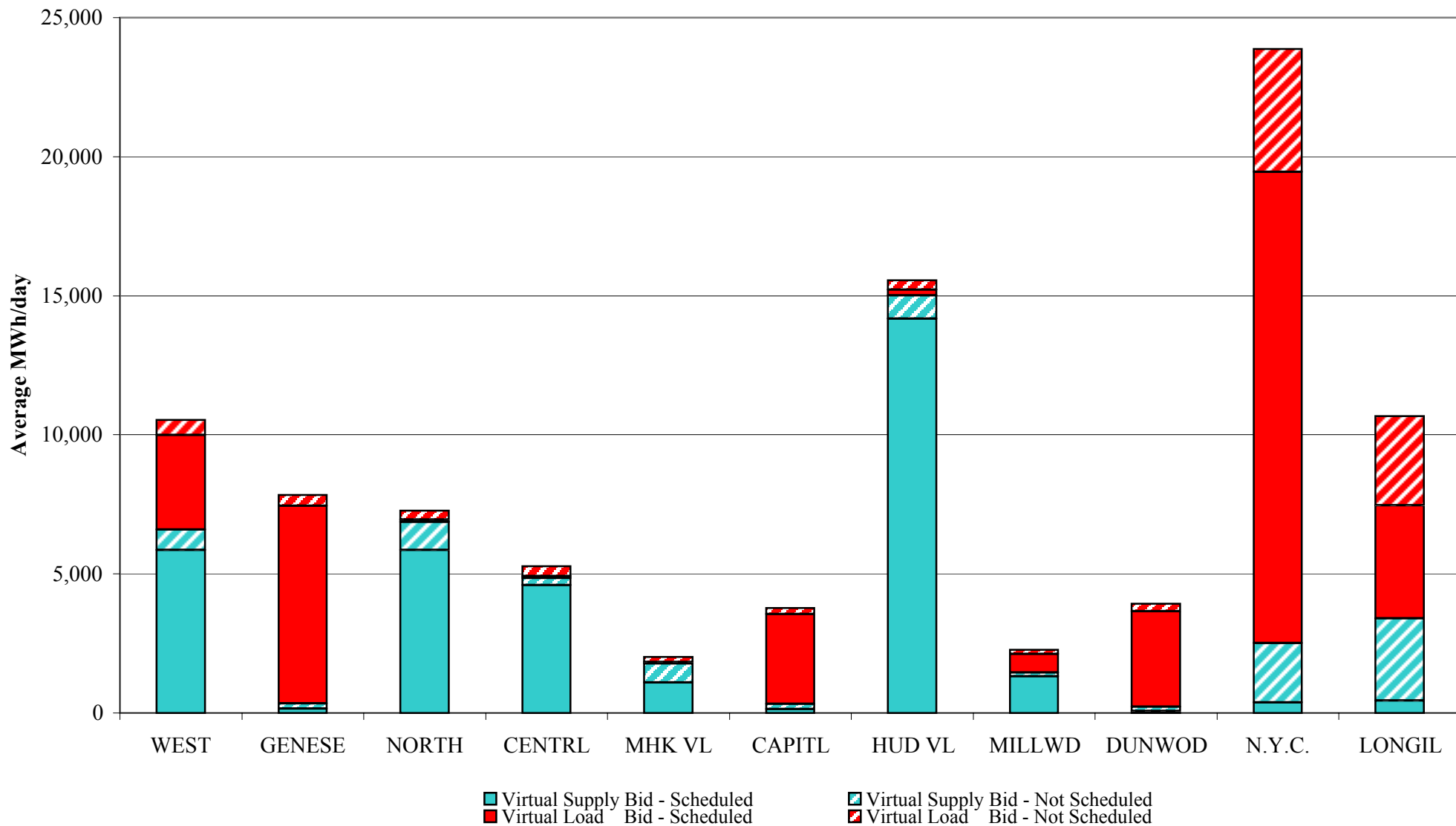
Percentage of Real-Time Corrections



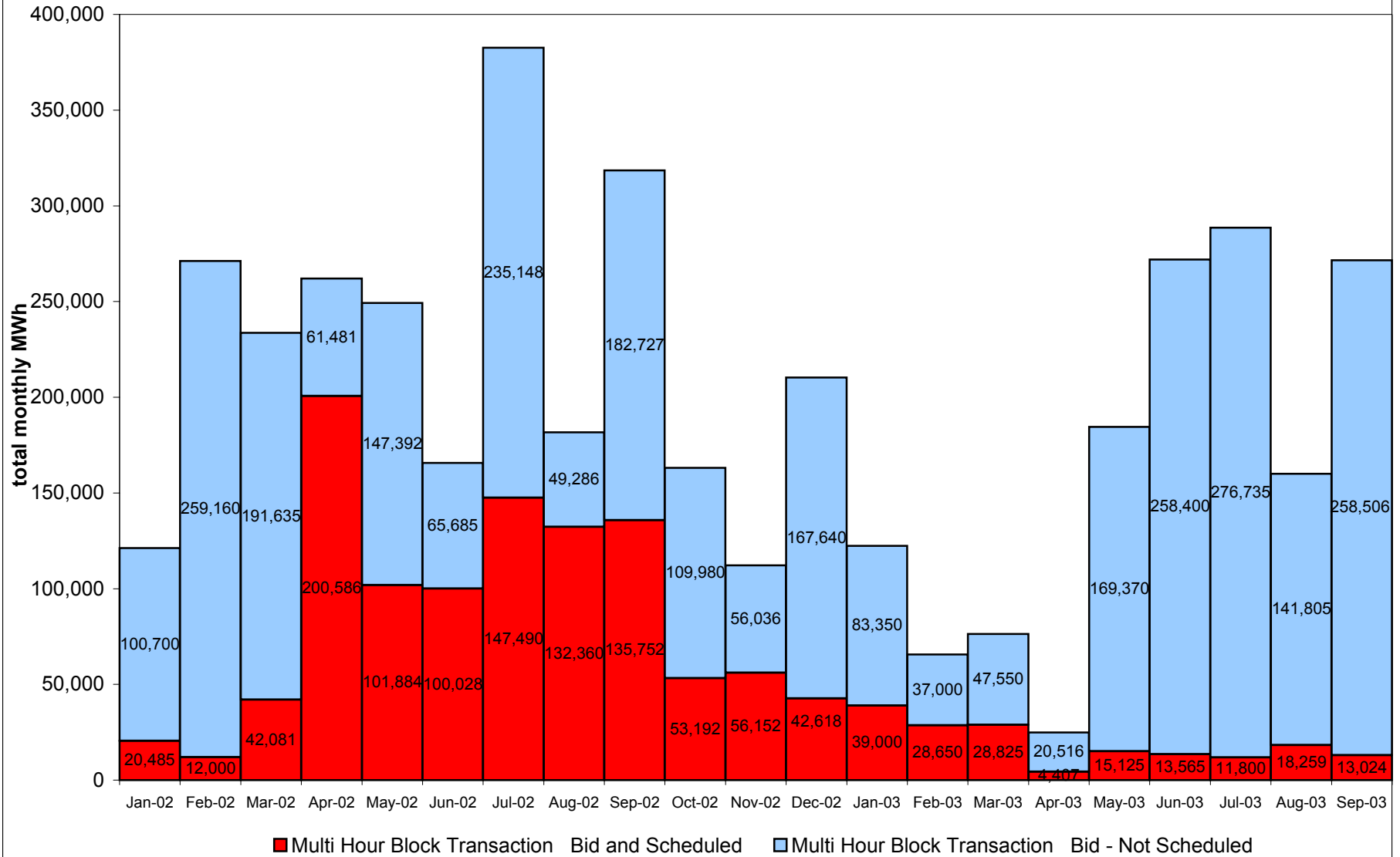
**NYISO Virtual Trading
Average MWh per day**



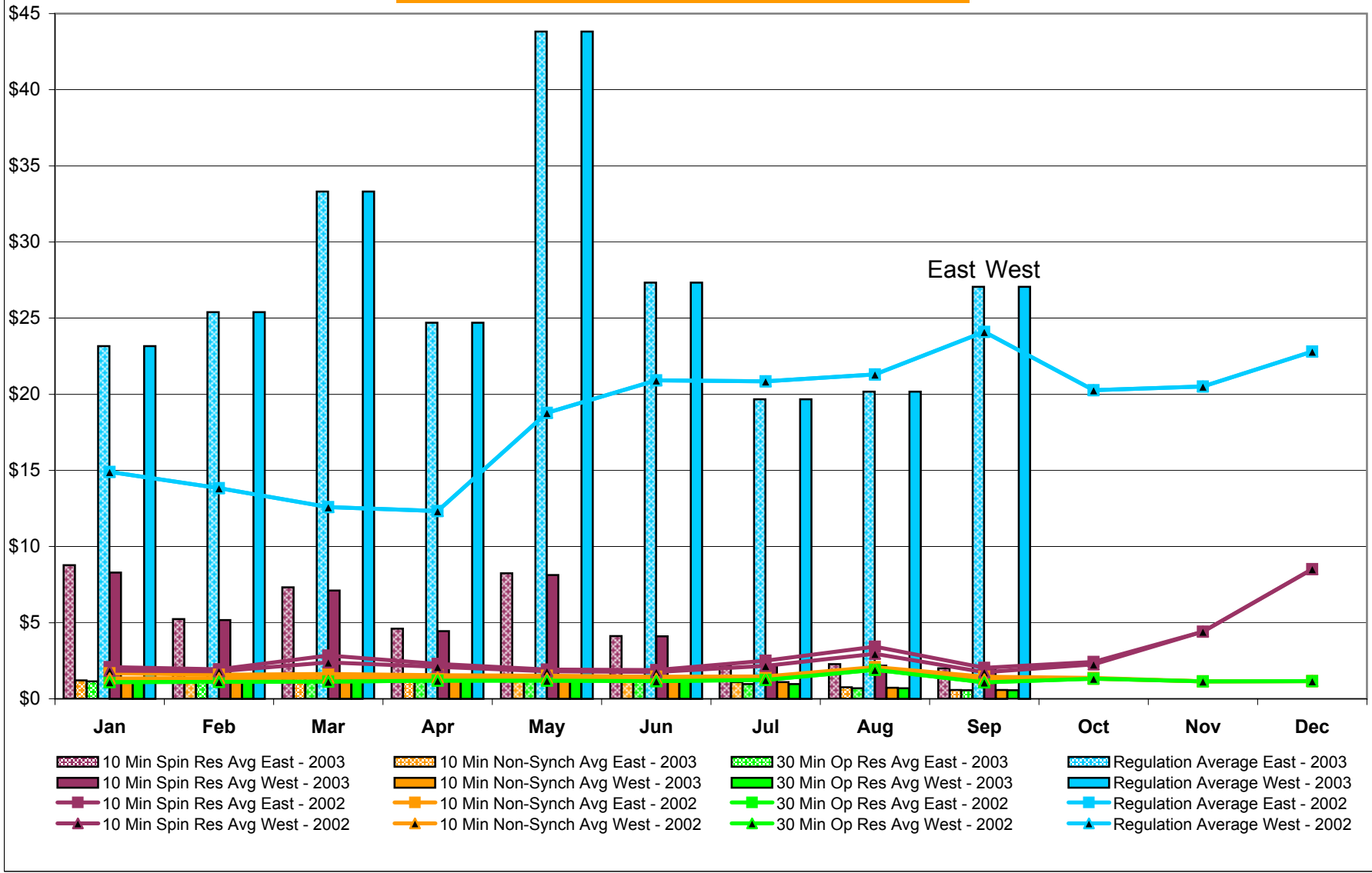
Virtual Load and Supply Zonal Statistics September 2003



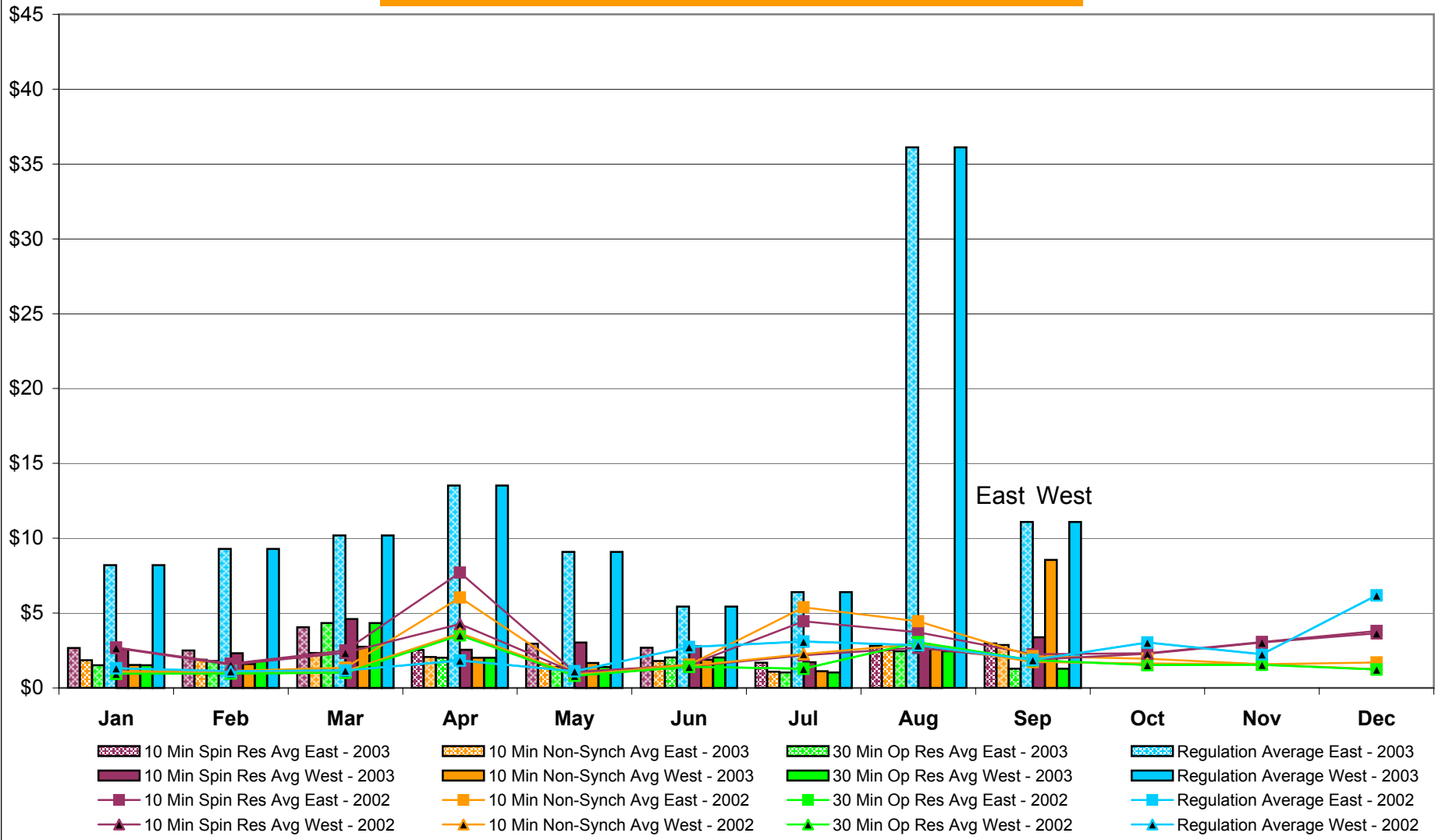
NYISO Multi Hour Block Transactions Monthly Total MWh



NYISO Monthly Average Ancillary Service Prices Day Ahead Market 2002 - 2003



NYISO Monthly Average Ancillary Service Prices BME * 2002 - 2003



* Commonly referred to as Hour Ahead Market (HAM)

NYISO Markets Ancillary Services Statistics

January February March April May June July August September October November December

ANCILLARY SERVICES Unweighted Price (\$/MWH) 2003

Day Ahead Market

10 Min Spin East	8.78	5.24	7.33	4.60	8.24	4.12	2.18	2.28	2.01
10 Min Spin West	8.30	5.17	7.12	4.45	8.12	4.11	2.18	2.18	2.00
10 Min Non Synch East	1.22	1.36	1.60	1.61	1.48	1.40	1.09	0.76	0.58
10 Min Non Synch West	1.15	1.32	1.45	1.54	1.45	1.39	1.09	0.72	0.58
30 Min East	1.14	1.30	1.41	1.48	1.42	1.35	0.97	0.69	0.56
30 Min West	1.14	1.30	1.41	1.48	1.42	1.35	0.97	0.69	0.56
Regulation East	23.17	25.39	33.31	24.70	43.82	27.33	19.67	20.17	27.06
Regulation West	23.17	25.39	33.31	24.70	43.82	27.33	19.67	20.17	27.06

BME* Market

10 Min Spin East	2.67	2.50	4.05	2.54	2.95	2.69	1.69	2.82	2.96
10 Min Spin West	2.59	2.32	4.61	2.55	3.04	2.78	1.72	2.91	3.38
10 Min Non Synch East	1.85	1.89	2.34	2.07	1.57	1.80	1.09	2.53	2.87
10 Min Non Synch West	1.53	1.59	2.75	2.02	1.67	1.88	1.11	2.58	8.55
30 Min East	1.52	1.80	4.34	2.02	1.40	2.03	1.04	2.46	1.28
30 Min West	1.52	1.80	4.34	2.02	1.40	2.03	1.04	2.46	1.28
Regulation East	8.21	9.28	10.19	13.52	9.08	5.44	6.41	36.11	11.09
Regulation West	8.21	9.28	10.19	13.52	9.08	5.44	6.41	36.11	11.09

ANCILLARY SERVICES Unweighted Price (\$/MWH) 2002

Day Ahead Market

10 Min Spin East	2.09	1.95	2.85	2.29	1.93	1.90	2.51	3.43	2.04	2.43	4.42	8.52
10 Min Spin West	1.85	1.81	2.40	2.11	1.81	1.75	2.16	2.96	1.74	2.26	4.41	8.52
10 Min Non Synch East	1.68	1.58	1.64	1.55	1.52	1.46	1.47	2.09	1.46	1.37	1.15	1.16
10 Min Non Synch West	1.34	1.36	1.39	1.40	1.34	1.32	1.35	1.96	1.27	1.33	1.15	1.16
30 Min East	1.09	1.11	1.13	1.19	1.20	1.17	1.24	1.90	1.09	1.32	1.15	1.16
30 Min West	1.09	1.11	1.13	1.19	1.20	1.17	1.24	1.90	1.09	1.32	1.15	1.16
Regulation East	14.90	13.83	12.59	12.33	18.78	20.92	20.85	21.31	24.10	20.27	20.51	22.80
Regulation West	14.90	13.83	12.59	12.33	18.78	20.92	20.85	21.31	24.10	20.27	20.51	22.80

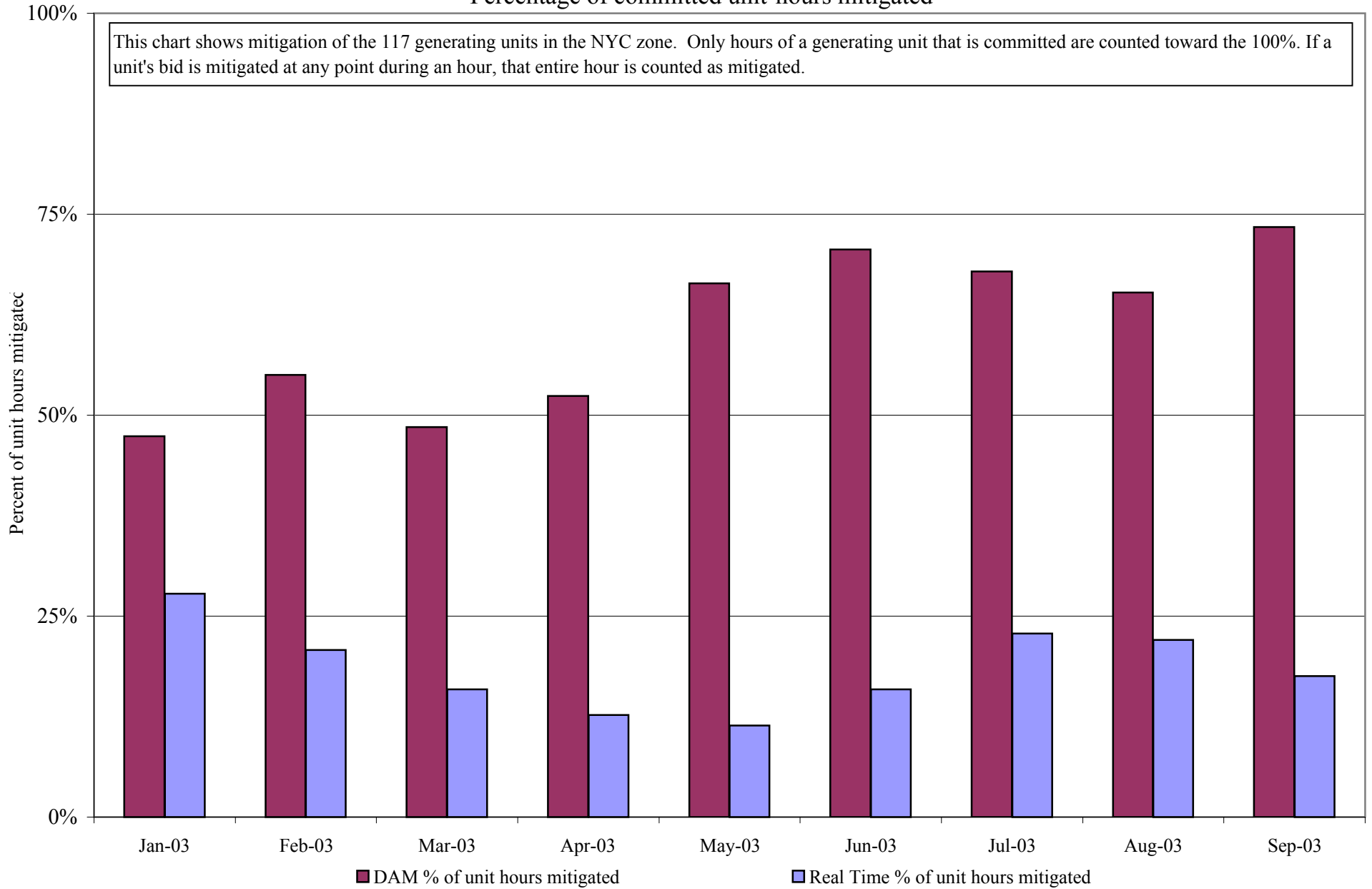
BME* Market

10 Min Spin East	2.70	1.62	2.51	7.71	1.06	1.53	4.45	3.71	2.25	2.32	3.07	3.81
10 Min Spin West	2.67	1.55	2.34	4.26	1.03	1.43	2.19	2.69	1.88	2.29	3.04	3.66
10 Min Non Synch East	1.11	1.13	1.35	6.03	0.94	1.56	5.38	4.45	2.12	1.96	1.58	1.70
10 Min Non Synch West	0.99	1.05	1.12	3.65	0.91	1.46	2.27	2.94	1.74	1.63	1.58	1.26
30 Min East	0.95	0.97	1.01	3.54	0.82	1.41	1.28	3.05	1.85	1.54	1.55	1.24
30 Min West	0.95	0.97	1.01	3.51	0.82	1.41	1.28	3.05	1.85	1.54	1.55	1.24
Regulation East	1.32	1.12	1.17	1.84	1.12	2.73	3.11	2.85	1.86	3.03	2.25	6.18
Regulation West	1.32	1.12	1.17	1.84	1.12	2.73	3.11	2.85	1.86	3.03	2.25	6.18

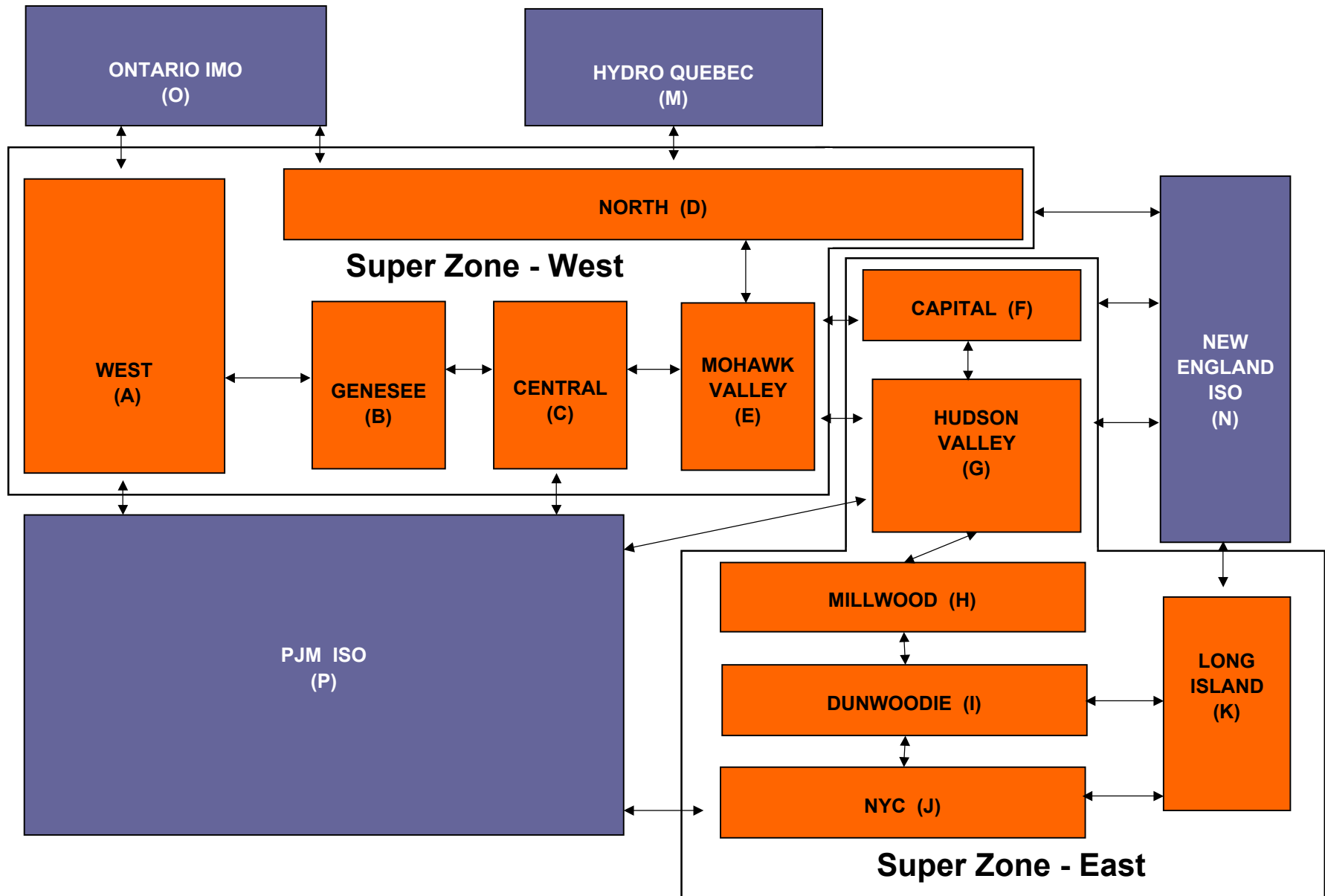
* Commonly Referred to as Hour Ahead Market (HAM)

NYISO In City Mitigation (NYC Zone) - 2003

Percentage of committed unit-hours mitigated



NYISO LBMP ZONES



BLACKOUT REPORT AND SCHEDULE

DOE/NERC Investigation

- Issued Sequence of Events Report on September 12th. Next Update expected in mid-October.
- The MEN Study Group has developed load flow base cases for the time preceding the blackout. As base cases get closer to the blackout time period, there is a problem with convergence of the load flow.
- The MEN Dynamics Study Group has a base case under development.
- R. Waldele to work with NERC team on analysis.

PSC Investigation

- The PSC has issued data requests to the NYISO as well as Generators and Transmission Owners. The NYISO has responded to the requests within the timeline requested by the PSC.

New York State Reliability Council (NYSRC)

- The NYISO and the NYSRC have had discussions regarding reporting to the NYSRC on the events. The NYSRC will be sending a formal request for a compliance report to the NYISO next week.

NYISO Investigation

- The NYISO and the Transmission Owners met to review the data associated with the event. The next meeting is scheduled for October 18th.
- The NYISO Operating Committee has directed the Restoration Working Group to review the restoration of the bulk power system and the NYISO's interface with the transmission and generator operators during the restoration period.

In all these investigations there is the concern regarding the confidentiality of the information. The NYISO continues to work with all the parties to address their issues.

DRAFT Strategic Plan Development Schedule – As of October 2, 2003

- 21 July Sector Plenary/Comments from Stakeholders
- *25 July* *MP comments shared with Employees*
- 31 July Draft w/Stakeholder Comments incorporated
- Aug BoD Meeting Stakeholder Draft to BoD
- 27 October Senior Team Re-Look
- Mid November Revised Draft to Board
- Late November Revised Draft w/BoD input back to Stakeholders and Employees
- Early December Receive Stakeholder Comments
- Jan BoD Meeting BoD Approval
- Early February **Publish Strategic Plan – Rollout to Employees**

FERC Wholesale Market Design NYISO Status

By

Bill Museler

President & CEO, NYISO

FERC Technical Conference

October 20, 2003

New York City

Elements of the White Paper NYISO Compliance

- **Regional Independent Grid Operation** Compliant
- **Regional Transmission Planning Process** Work in Progress
- **Fair Cost Allocation for Existing and New Transmission** Work in Progress
- **Market Monitoring and Market Power Mitigation** Compliant

Elements of the White Paper NYISO Compliance

- **Spot Markets to Meet Customers' Real-Time Energy Needs** Compliant
- **Transparency and Efficiency in Congestion Management** Compliant
- **Firm Transmission Rights** Compliant
- **Resource Adequacy Approaches** Compliant

NYISO RTS Market Features

- **Simultaneously co-optimized energy and ancillary services in both the Day-ahead and Real-time markets**
- **Full 2-settlement system for ancillary services**
- **Scarcity pricing via a reserve demand curve**
- **Enhanced market mitigation tools**
- **More frequent and consistent security analysis**
- **Pre-scheduled ICAP transactions**

Resolution of Seams Issues

- NYISO is a leader in seams resolution
- Seams coordination agreements in place with all neighboring ISO/RTOs
 - *CEO's address any prioritization issues*
- FERC quarterly reporting (NY lead for NY, NE, PJM, & IMO)
- NYISO Chairs the ISO/RTO Council
- Progress has been made in many areas:
 - *Elimination of export charges between NY and neighbors*
 - *NYISO, PJM, and ISO-NE leading ISO efforts to establish a common data protocol*
 - *Development of a common resource adequacy market (RAM)*
 - *Virtual Regional Dispatch*
 - *Coordination of Interregional Planning via NPCC/PJM Working Group*

NYISO Planning Process

- NYISO received stakeholder support for a phased-in process
- Phase I:
 - *Initial Planning Process approved on September 10th*
 - *Implementation begun on September 19th*
 - *Reliability-based; historical congestion*
- Phase II:
 - *Discussions begun on September 19th*
 - *Will address:*
 - ▶ Reliability and economic needs
 - ▶ Cost recovery and allocation issues
 - ▶ NYISO, State, and Stakeholder roles
 - ▶ Procedures for ensuring that needed upgrades are built

NYISO's Shared Governance

A Successful Balance of Interests

- **Independent Board**
- **Both Board and Market Participants must agree on 205 Filings**
- **BUT, Board may file under 205 in Exigent Circumstances**
- **Board and individual Market Participants may file under 206**
- **Market Participants may appeal Management Committee decisions**

Shared Governance: Results

➤ 91 Section 205 Filings

- *Of these, only 4 MC-approved filings have been modified by the Board*

➤ 5 Exigent Circumstances Or Unilateral Filings Made By The Board

- *All but 1 were subsequently endorsed by the market participants*

➤ Board Has Decided 18 Appeals of MC Decisions

- *Only 2 of these appeals were taken to FERC for further consideration*

FERC SMD Meeting – October 20, 2003

Bill Museler's Opening Remarks

Good afternoon Commissioners, and thank you for visiting us in New York to see first hand how the New York ISO – Board Members, staff, market participants, and state officials are working together to provide New Yorkers with the most reliable electric system and the most competitive electric markets achievable. What you will hear from the market participants in the succeeding panel discussions will be a microcosm of how the NYISO works – not perfect accord, but enough consensus to make continual progress toward our common goals – ensuring reliability and the advancement of robust competitive electric markets.

New York generally meets the requirements of the SMD NOPR and the White Paper with the area still requiring major work being planning. But even there we're moving aggressively, and I'll provide additional details in a few minutes.

Ours is admittedly a work in progress, but I believe one with enough record of success to warrant continuing on our current path. And with the deployment of our new Real Time Scheduling system next spring, we will be in full compliance with FERC's direction on market design as embodied most recently in the Commission's SMD NOPR. In fact, by next summer the NYISO will be the only independent transmission provider in the country with fully co-optimized energy and ancillary services in both the day-ahead

and real-time markets. (Ref: Slides 2 & 3 - “NYISO SMD Scorecard” and Slide 4 - “NYISO RTS Features”)

As desired by FERC, the NYISO Board, and our Market Participants, we have taken the initiative in a number of areas to resolve seams issues in order to achieve a majority of the benefits that would accrue from combining market operations and dispatch with the adjoining control areas. The NYISO has several inter-area coordination agreements in place that include all of our neighbors and which address operations, planning and market design issues of common interest. (Ref. Slide 5)

As you know from our quarterly reporting to the Commission, significant progress has been made in addressing and resolving numerous inter-area seams issues throughout the Northeast—including PJM. We are also taking steps to develop broad regional reserve and regulation sharing arrangements.

The ISO/RTO Council that I chair is leading the efforts to further improve inter-regional communications by moving towards a common data protocol. I would note especially that New York, NE, PJM, and Ontario already exchange operational information via a data link; and New York and NE have the ISO/RTO Council lead for developing the Common Information Model (CIM) extension, which will allow the real-time exchange of market data. This is the technology direction FERC has been encouraging to allow compatibility between ISO’s and RTO’s software systems.

The elimination of export fees between NY and adjacent regions has the highest priority for the NYISO. During early 2003, the NYISO was successful in working with the New York Transmission Owners and the Public Service Commission to develop a set of principles for the elimination of export fees from the New York Control Area that was presented to our stakeholders in June. Since that time we have been working with our neighboring Control Areas, including the IMO, to schedule discussions leading to reciprocal agreements on each of our borders. Our goal is to begin the elimination of export fees in the Northeast in 2004, starting with the NE/NY interface. We recently held a productive meeting with ISO-NE and the Transmission Owners from both New York and New England at which all present indicated their support for reaching a reciprocal agreement as soon as possible. Good progress was made and there is another meeting scheduled for mid-November.

The NYISO has been working, since early 2002, with PJM and ISO-NE to develop the details of a common forward market for capacity in accordance with the framework established by the RAM Group. The Group retained a consultant, NERA, last spring and charged them with the development of the principles for this forward market and the recommendation of an appropriate auction model for its implementation. In parallel, several inter-ISO working groups are developing criteria for resource eligibility, verification and testing, applicable demand response criteria, and credit requirements. The ISOs will bring the results of these efforts to its respective stakeholders to discuss the

tariff and market changes required for implementation. We will be sending a status report on these efforts to the Commission in February 2004.

Indeed, the accomplishments in this area have been, and continue to be, the result of extensive stakeholder participation within the NYISO's committees. There were multiple opportunities for broad stakeholder participation in developing the proposals for SMD 2.0/Real Time Scheduling; the Open Scheduling System; Virtual Regional Dispatch; and the Resource Adequacy Model. We report regularly on the progress toward resolving these and other seams issues to the NYISO's three principal stakeholder committees.

The NYISO's market participants are actively involved in the resolution of seams issues through the regular stakeholder meetings we hold to discuss and act on all the activities that the NYISO is engaged in, as well as the inter-ISO/RTO activities mentioned above.

The development of a comprehensive system planning process that meets the Commission's requirements has been an open issue for New York, and in that area too we are moving forward at an increasing pace. Early in the year, the NYISO brought this issue to our stakeholders where there was wide support for taking action. As a result, the NYISO formed the Electric System Planning Working Group comprised of

representatives from the Business Issues and Operating Committees to work with NYISO Staff on this initiative.

After four months of intensive efforts, the NYISO Operating Committee voted unanimously last month to endorse Phase I of that process and to move ahead expeditiously to address the remaining issues. (Ref. Slide 6 – “NYISO Planning Process”) Phase II, will develop the criteria for dealing with reliability and economic needs identified in the planning process. . The NYSDPS has been deeply involved in this process, and I believe we will be able to send you an acceptable filing in the second half of 2004. (Ref. Slide 6 - “NYISO Planning Process”)

The NYISO Board of Directors is fully supportive of these efforts and is monitoring this closely through its Adequacy and Reliability Committee.

Significant accomplishments have also been made during this year on inter-regional planning with our neighbors. Early in the year, an inter-area task force was established consisting of all the ISO’s and Control Areas of the NPCC, including the Canadian entities, as well as PJM. This group is developing a proposed protocol for coordination of interregional planning for the Northeast region. Starting with the basics, such as ensuring the consistency of databases, planning models, and assumptions, this protocol also addresses coordination of interconnection and system enhancement studies, and has the long-term goal of developing a Northeastern Regional Plan. We expect the

draft protocol to be made available for discussion with stakeholders in our respective regions before the end of this year.

Governance is an area where the majority of our stakeholders and the NYDPS feel strongly that our shared governance, is working effectively. This is an area where New York does have a regional difference, and a regional difference that works well. (Ref. Slide 7)

Our diverse market participants have worked together to create the most advanced market designs including virtual trading, demand curves in both capacity and operating reserves markets, and a cutting edge Real Time Scheduling system that is moving toward market trials next month. The “buy-in” on major issues that our shared governance engenders is a major plus for this arrangement.

Sometimes the pace has been agonizingly slow as in the development of a comprehensive credit policy, but the end result was superior to what we would have produced without the extensive stakeholder input and the multiple iterations. We know that our market participants bring to the table extremely valuable knowledge and experience. I like to think of the working group and committee process as free consulting services for the NYISO.

On the other hand, when we had to, we have moved quickly as demonstrated by joint filings to address scarcity pricing and new market rules at non-competitive proxy buses this past spring.

It is true that it is sometimes difficult to achieve a 58% consensus of Market Participants, but an inclusive process like this can and does produce a fairer, more efficient result, and I believe that ours does that. Nor does the shared governance compromise the independence of the NYISO's Board of Directors which has the ultimate authority over budget and management and which can file tariff changes at FERC without market participant concurrence when absolutely necessary. (Ref. Slide 8 - "NYISO Governance Statistics")

The evolution of the markets for Installed Capacity, innovative Demand Reduction programs, and the introduction of Virtual Trading are just a few examples of the successes that our shared governance has achieved.

The existing process has enabled the NYISO to make incremental changes in its governance, as the occasions required, and we expect that it will continue to do so. The NYISO's Strategic Plan, currently under development, will include a process for evaluating possible enhancements in the area of governance.

The majority of the NYISO Market Participants, the NYISO Board, and the NYDPS believe that this collaborative governance process is working, and that the NYISO and the Commission can continue under this arrangement to focus our efforts on achieving our goals – ensuring reliability and enhanced competitive electric markets; and to avoid encountering the difficult legal issues raised by the *Atlantic City* decision of the DC Circuit Court of Appeals.

Those are the NYISO’s thoughts on our major focus areas of FERC’s SMD. We believe we are compliant with the principles outlined in your White Paper, and that where we have regional differences, they provide equal, or superior results.

Like you, I am looking forward to the dialog with New York’s market participants and stakeholders, and on behalf of the NYISO, I want to express my appreciation for your visiting us here in the “Big Apple.”
