



Independent Power Producers of New York, Inc.

Gavin J. Donohue
Executive Director

February 15, 2002

Via Email

Mollie Lampi, Esq.
Assistant General Counsel
New York Independent System Operator, Inc.
3890 Carman Road
Schenectady, NY 12303

Re: NERTO Development Process

Dear Mollie:

As you know, at the New York Independent System Operator, Inc's. (the "NYISO") February 7, 2002, Management Committee meeting, Rob Soeldner presented a chart illustrating the NYISO's straw proposal for developing the Northeast Regional Transmission Organization ("NERTO") and market participant involvement in that development process. During that meeting, a number of market participants, including several members of the Independent Power Producers of New York, Inc. ("IPPNY"), expressed concern with the limited market participant role contemplated in the straw proposal. In response, Bill Museler suggested that any parties wishing to provide comments on the straw proposal should send them to you or to Rob by February 15, 2002. Accordingly, I am writing to provide further comments on behalf of IPPNY's members and to suggest a procedure that, we believe, will be most conducive to affording meaningful market participant involvement in the NERTO development process while ensuring that process unfolds efficiently and expeditiously.

The NYISO proposal contemplated six task forces (the "ISOTFs") staffed by employees of the NYISO and the New England Independent System Operator ("ISO-NE") that would meet at least once per month with market participant/stakeholder working groups ("MPWGs") to report on the ISOTFs' progress and solicit input. The MPWGs would be limited to one representative from each market participant sector in each ISO. Finally,

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the proposal contemplated two “all hands” meetings being scheduled between now and the expected June 30, 2002, filing date.

The comments advanced from numerous sectors at the February 7 MC meeting amply demonstrated the infeasibility of each sector being limited to only one representative per ISO. No sector is monolithic, and the members of many sectors are competitors with each other. Thus, it is crucial that the MPWGs be open to all who desire to participate in them.

While the NYISO has expressed concern that such a structure would be unwieldy and inefficient, we strongly believe that if we develop a process that benefits from the lessons learned in the NYISO working group process, we can accommodate open access and still proceed efficiently. Our experience in the NYISO, where working groups are open to all comers, is that a great degree of self-selection occurs such that a limited and workable number of members routinely participate. We see no reason to expect that this effort will be any different. Thus, except, perhaps, for the first few meetings, the number of participants should be easily manageable. The ISOs can and, we believe, should improve the productivity of these meetings by retaining the services of a professional meeting facilitator.

In order to ensure that the efforts of the MPWGs are efficient, the ISOs should present straw proposals on the topic at hand sufficiently in advance of the meetings to afford meaningful opportunity for review. We support the ISOs’ suggestion that a NERTO website be established to facilitate dissemination of information and proposals, as this will help to inform discussions during the MPWG meetings. In addition, these straw proposals should not have every detail worked out in advance. Where significant decisions must be made that would lead in divergent directions, the straw proposals should lay out the alternatives and present these matters as open issues in need of resolution. The benefits of this procedure are illustrated by the market participant response to the recent straw proposal on the design of the new real-time commitment and dispatch software presented recently to the NYISO’s Market Structures Working Group. That proposal presented an appropriate mix of direction and issue identification. Such a methodology will help to structure the discussions and enhance the progress of consensus building made by the advisory MPWGs at the meetings.

Finally, we believe the ISOs have underestimated the amount of time that will be necessary to work through the many and complex issues involved in the development of the NERTO. We would encourage the ISOs to schedule at least two meetings per month in advance, subject to cancellation if sufficient progress is made, in order to ensure dates are available if needed. This process worked well in connection with the AMP/ICM Task Force efforts. In fairness to market participants from the NYISO and ISO-NE, we suggest that these meetings should be held at a “half-way point” between the two ISO facilities. This will equalize the travel burden on all involved and will further induce the self-selection process mentioned above.

Thank you in advance for your consideration of IPPNY's views. If you have any questions, please do not hesitate to call me.

Sincerely,

Glenn D. Haake
General Counsel

Cc: Rob Soeldner
IPPNY Members