

**Strategic Power Management, Inc.'s Comments
on the
NY ISO Strawman NERTO Proposal**

Strategic Power Management, Inc. ("SPM") is concerned with the lack of direct Market Participant participation in the proposal presented by Rob Soeldner at the February 7, 2002 Management Committee meeting. Accordingly, SPM supports the comments of AES - NY and IPPNY that were submitted recently on that issue. As IPPNY stated in its February 15th e-mail letter "it is crucial that the MPWGs be open to all who desire to participate in them." AES-NY made the same point: "The process must be open to all market participants." AES-NY further noted that restricted working group participation will slow the process down and each MP in a given sector is a competitor of the other members particularly in the Other Supplier and Generator sectors. This competitive element renders a two person representative approach unworkable.

At a more fundamental level, SPM urges that an in-depth economic analysis of the costs and benefits of the proposed NERTO be evaluated, not simply in comparison to the existing stand alone ISOs, but in a detailed comparison to a broader Northeast RTO, including PJM, as suggested by FERC. If a truly collaborative process is desired then the urge to merge must be controlled to permit a careful and systematic analysis of the economic consequences of the proposed NERTO. SPM urges that PJM and our Canadian colleagues be invited to participate. The combined Market Participants should then first agree on the scope and level of detail of the study and the baseline economic assumptions along with sensitivity parameters. The conclusion must be economically robust over a wide range of potential futures to ensure MP buy-in without which the merger will not work.

As far as the process is concerned, the first issue that must be determined in a working group environment is governance. To that end, SPM believes that the governance question should be addressed anew in view of the lessons learned to date. In that regard, SPM suggests that the incumbent Chairmen and Presidents not be eligible for a similar role in the combined entity. The emphasis must be on what is most beneficial to the new organization. Incumbent leadership of the merged entity will be suspect and will create unacceptable organizational dynamics during the study period as both organization vie for supremacy. Moreover, should the economic evaluation favor a NY ISO/ISO New England merger over the larger northeast RTO including PJM, then SPM recommends that the new Board also be elected by the Market Participants writing on a clean slate.

Finally, no filing should be made with FERC until the economic evaluation is concluded and fully vetted by the Market Participants working through the various working groups.