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Market Participants in NYISO

Re: Temporary Extraordinary Procedures

In a short time the New York ISO will have been in operation for three months. As a general matter, once the major anomalies were resolved the market has been working well. The models that we inherited have generally been well designed and represent a much greater degree of economic sophistication than other systems. However, largely because of this improved level of sophistication, we have found a significant number of flaws, inconsistencies and other problems during initial operation. These problems could not have been identified in the market trials conducted prior to the ISO start-up, and, as you all know, the staff of the ISO has been working hard to correct and eliminate these problems. They have been extraordinarily successful, but much remains to be done.

Until the remaining problem areas are eliminated, we believe that at least some of the "Extraordinary Corrective Actions" will need to be extended for another 90 days. We are putting together a request to FERC for a partial extension of the TEPs and will, of course, be bringing it to the Management Committee at its February meeting prior to filing with FERC.

At the time the TEPs were first filed with FERC, the original 90 day period seemed like a reasonable duration, but it has become clear that we cannot accomplish all of the needed "fixes" by the end of the first 90 days. The NYISO understands the need for price certainty and timely identification and posting of any necessary price corrections. We also recognize that correct prices are an absolute necessity for a successful market. We believe that the proposed extension of our TEP authorization for some (approximately half) of the ECAs strikes the necessary balance in this regard. The good news is that it is clear to us that, once the necessary improvements are completed, the LBMP-based market system will function well, and that the New York market will be a fair and profitable place to do business. We fully intend to complete the necessary modifications as soon as possible and continue to welcome your input to the process.

Sincerely,



William J. Museler
President & CEO