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## By Electronic Delivery

September 7, 2012

Ms. Deborah Eckels, Management & Operating Committee Liaison  
New York Independent System Operator  
10 Krey Boulevard  
Rensselaer, NY 12144

RE: Comments on NYISO Compliance Filing for FERC Order 1000

Dear Ms. Eckels,

Alliance for Clean Energy New York (ACE NY) submits the following brief comments for the NYISO Board of Directors' consideration. We reserve the right to comment more fully as this discussion proceeds within the NYISO or at FERC. These comments address four broad categories of concerns raised by NYISO stakeholders during working group discussions and are based on the version of the compliance filing provisions made available to stakeholders in late August.

### Definition of Public Policy

ACE NY supports a broad definition of “public policy” consistent with what we believe is FERC’s intent. Inclusion of federal or state law or regulation and NYS Public Service Commission Orders within the straw proposal fits well within the domain of FERC Order 1000 and how public policy is developed in New York. Commission Orders are developed as part of stakeholder processes and discussion among many parties and have the force of regulation; it is appropriate and necessary to include them within the domain of public policies addressed by FERC Order 1000.

### Jurisdiction

ACE NY believes the compliance filing incorporates appropriate roles for the Public Service Commission and the NYISO in addressing potential transmission needs driven by public policies. ACE NY does not believe it is appropriate for NYISO governance structure votes to decide on needed transmission to meet public policy needs. The decision on what transmissions needs may be caused by public policy, and which of those may require a transmission – or other cost effective non-transmission – solution, should not be dictated only by those whose market power or revenues may be impacted. The governance structure and voting process of the NYISO is not representative of the public at large and cannot adequately address all public policy considerations, which by definition are those not adequately or directly addressed by the market. A process that encompasses both entities, the Department of Public Service (DPS)/Public Service Commission (PSC) and the NYISO, and includes active participation by stakeholders of

both arenas is most appropriate. The NYISO's role of studying proposed projects and identifying potential impacts on the markets and the transmission system is crucial and is preserved in the compliance filing changes to the NYISO tariffs to meet the requirements of FERC Order 1000.

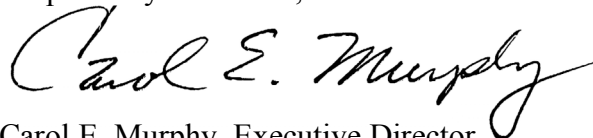
### Process

We recognize that the NYISO's role is to provide independent analysis rather than to pass judgment on public policy, while the domain of DPS is to help implement public policies related to the electric system. Both parties have a crucial role in proper implementation of Order 1000. A collaborative process between the DPS/PSC and the NYISO and the stakeholders engaged in both arenas is essential. In both arenas – NYISO governance and DPS/PSC proceedings – there must be a transparent and open process and opportunities for stakeholder dialogue. We believe the process outlined in the NYISO compliance filing meets those requirements and the intent of Order 1000.

### Cost Allocation

Order 1000 requires a specific cost allocation methodology for public policy-driven transmission solutions rather than a case-by-case approach, and stipulates that the beneficiaries pay principal should apply. We believe the NYISO filing meets the requirements while not being overly specific. ACE NY firmly believes there may be public policies in which the benefits are widely distributed and the cost allocation principles in those cases need to allow for distribution across all load. While some market participants may argue for "votes" within the NYISO governance on acceptance of costs (as is done within other NYISO cost allocation procedures), we believe that process is inappropriate for public policy driven-transmission needs whose benefits go beyond the domain of those with voting rights in the NYISO governance structure.

Respectfully submitted,

A handwritten signature in black ink that reads "Carol E. Murphy". The signature is written in a cursive, flowing style.

Carol E. Murphy, Executive Director  
Alliance for Clean Energy New York, Inc.