

June 26, 2000

Mr. Richard J. Grossi
Chairman, New York Independent System
Operator Board of Directors
C/O William J. Museler
President and CEO
New York Independent System Operator, Inc.
3890 Carman Road Schenectady, NY 12303

Re: Motion in Opposition to the Appeal of Citizens Power Sales *et al.*

Dear Chairman Grossi:

In accordance with the Procedural Rules for Appeal to the New York Independent System Operator (NYISO) Board, New York State Energy Research and Development Authority (NYSERDA), respectfully submits this motion in opposition to the Notices of Appeal filed by Citizen Power *et al.*, Orion Power and Hydro Quebec Energy Services regarding the Management Committee's June 5, 2000 decision that requests the NYISO to seek authority from the Federal Energy Regulatory Commission (FERC) to impose bid caps on the energy and ancillary service markets until October 31, 2000. NYSERDA, as a member of the End-Use sector of the Management Committee, voted in favor of the June 5th Management Committee motion to petition FERC to impose bid caps.

NYSERDA urges the Board of Directors to reject the Appeals that seek to overturn the Management Committee's request to impose bid caps. Furthermore, it is not necessary to address every objection raised by the appellants in their appeals because the Management Committee clearly considered and discounted those objections during its deliberations on June 5, 2000. There is no reason to re-argue these points here.

We believe that there is a gap in the NYISO energy market, as described below, that necessitates imposing a bid cap until it is remedied: the absence of significant price sensitive load bidding that would result in dispatchable demand in all energy markets. Allowing price-sensitive load to bid its load reductions in the Day-Ahead, Ancillary Services and Real-Time markets would serve as an effective balance against unchecked supplier's prices during periods of capacity scarcity.

The appellants only focus on bid caps and avoid discussing the last element of the June 5th

Management Committee motion which seeks expedited NYISO action that would allow price sensitive load bids to be afforded the same competitive opportunity as generation suppliers to meet their load requirements. During the formation of the NYISO it was clearly anticipated that end-use loads would be able to bid load reductions into the emerging electricity marketplace. Moreover, Section V of the June 5th Management Committee motion identifies the need for NYISO "...specifications for metering, telemetry, business and software that would allow and encourage the development of widespread price sensitive load ..." This section of the June 5th motion requests that the NYISO develop the protocols that will allow the NYISO to accept price sensitive load bids by June 1, 2001.

Until the market completely accounts for price-sensitive load bidding, the NYISO must impose measures to counteract the competitive disadvantage that end-use consumers experience in the electricity marketplace. Imposing temporary bid caps for this summer peak period, as approved by 63 percent of the Management Committee, remain the only appropriate and effective remedy to shield market participants from unprecedented price increases, until complete price sensitive load bidding is implemented. The Board is urged to deny the appellants request, endorse the June 5th decision of the Management Committee, seek FERC approval for the limited use of bid caps for this summer's capability period, and begin to design the bidding protocols necessary to allow price sensitive loads to fully bid in the NYISO by June 1, 2001.

Thank you for your attention.

Sincerely,

A handwritten signature in black ink, appearing to read "P. R. Smith", enclosed within a dashed rectangular box.

Peter R. Smith
Program Director
Energy Analysis Program

cc: F. William Valentino, President