

STRATEGIC POWER MANAGEMENT, INC.

February 27, 2003

VIA EXPRESS MAIL

Richard J. Grossi, Chairman
c/o William Museler
President and CEO
N.Y. ISO
3890 Carman Road
Schenectady, NY 12303

Dear Mr. Grossi:

Re: Notice of Appeal of the Management Committee's
Conceptual Approval of a Demand Curve

At the last Special Meeting of the Management Committee, a vote was taken that appeared to have provided conceptual approval of a demand curve which is intended to cure the "failed" I-Cap market. Strategic Power Management, Inc., hereby files its Notice of Appeal of that action.

The Notice of Appeal of Multiple Intervenors should be consulted for a full explication of SPM's position which will be summarized here:

1. The vote actually failed. Two new members were improperly denied the opportunity to cast their votes against. Had they been permitted to vote – as others have in similar situations -- the motion would have failed.
2. There has been no showing that the proposed conceptual demand curve will actually accomplish what is intended – new investment. The only fact that is known is that this conceptual proposal will cause a substantial annual transfer of money from load serving entities and direct customers to generation owners.
3. No verifiable, and hence credible, economic analysis has been presented in support of the proposed demand curve. The potential impact on New York residents and businesses ranges from \$100 million a year to as much as \$1 billion over a three year period based on the submissions of Drs. Patton and Pechman. For some reason, Dr. Patton chose only to present a one year analysis without supporting assumptions. Relatively minor projects at the NY ISO receive more cost – benefit scrutiny. Finally, the lack of consideration of alternative proposals that may be more effective and less costly renders any decision on the record of this matter imprudent on its face.

4. This proposal represents a complete retreat from market based rates and is inconsistent with FERC's SMD NPOR. Indeed, since many of the market participants operate under FERC approved market based rate authority, the adoption of this administratively determined I-Cap rate proposal may completely kill the NY ISO's I-Cap market since the authority to buy and sell may no longer be authorized.

For the reasons set forth and more fully articulated in MI's Notice of Appeal, SPM urges the Board to overturn the Management Committee's flawed approval of the demand curve concept.

Respectfully submitted,

Daniel P. Duthie

Vice President and General Counsel

cc: Management Committee via Kristen Kranz.