

Richard J. Grossi
Chairman, NYISO Board of Directors

March 20, 2003

The Honorable Paul D. Tonko
New York State Legislature
713 Legislative Office Building
Albany, New York 12248

Dear Assemblyman Tonko:

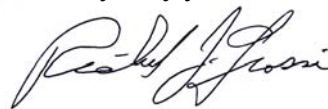
On behalf of the New York Independent System Operator's (NYISO) Board of Directors, I would like to thank you and your colleagues in the Assembly for your March 17th letter concerning the installed capacity demand curve proposal. Yesterday, the NYISO Board considered the concerns raised in your letter and concluded that all of these issues had already been fully discussed and addressed in the context of our internal appeals process.

Our independent deliberation process on this issue included several meetings of the Board's Governance Committee, review of numerous pleadings submitted by NYISO Market Participants, over two hours of oral arguments before the Board's Governance Committee, discussions with our Independent Market Advisor and, finally, discussions by the full Board. We have determined that it is in the best interests of the New York wholesale electricity markets to move ahead with the demand curve and will shortly seek approval from the Federal Energy Regulatory Commission.

While the NYISO Board appreciates your concerns about potential price impacts, we believe that long-term reliability enhancements and market efficiencies associated with the demand curve will outweigh its short-term costs. We expect that any additional capacity costs under the demand curve will be mitigated by the dampening of energy price spikes and by avoiding the high deficiency charges for installed capacity under the current system. Furthermore, we believe the price signals under the demand curve can help spur new investment in generation and foster a high level of maintenance at the State's existing power plants. In sum, this proposal, which received broad support from all market segments including consumers, is needed to help ensure reliable service and efficient markets.

The NYISO Board looks forward to continuing to work cooperatively with the Assembly and its constituents throughout New York State.

Very truly yours,



Richard J. Grossi
Chairman, NYISO Board

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