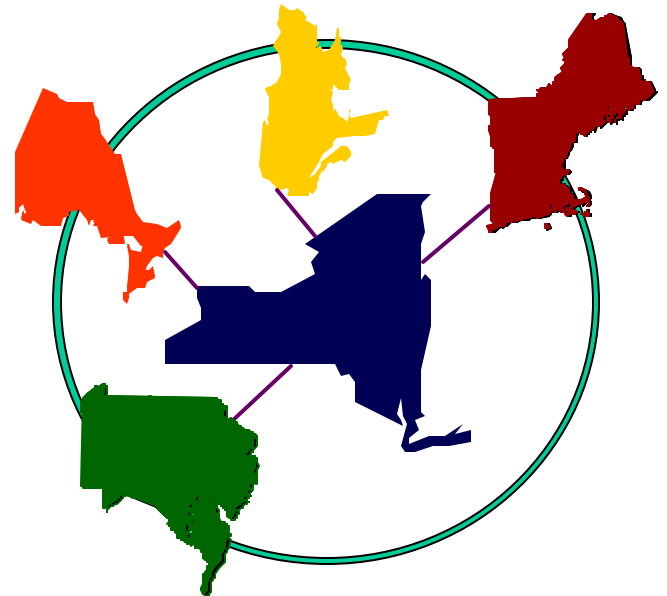


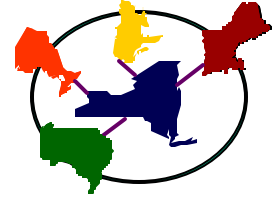
Northeast Seams Report

Update on Northeast Seams Issues

April 19, 2004

Management Committee

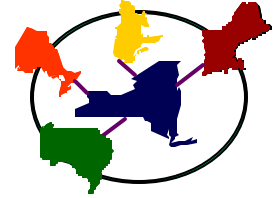




Status of Seams Projects

Current Quarter Deliverables

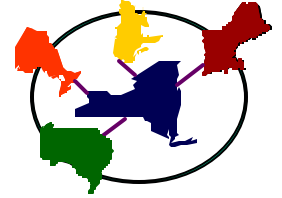
| Project | Due Date | Status |
|---|--|---|
| 1. Facilitated Checkout (FCO) | <ul style="list-style-type: none"> May 2004 | <ul style="list-style-type: none"> NYISO, ISO-NE, PJM, IMO, HQ & MISO – NY/ISO-NE operator facilitated checkout tool is scheduled for deployment in May 2004. |
| 2. E-Tagging Integration | <ul style="list-style-type: none"> April 2004 | <ul style="list-style-type: none"> NYISO - Allows automated response on incoming E-Tag requests and automated updates for bid / schedule changes to the E-tag system resulting from the hour-ahead evaluation, checkout and curtailments. Phase I development (operations automation) is scheduled for deployment in April. |
| 3. Harmonize New York Demand Response Programs With ISO-NE | <ul style="list-style-type: none"> 2Q 2004 | <ul style="list-style-type: none"> NYISO, ISO-NE and PJM - NYISO has met w/ISO-NE and PJM to review each ISO's programs and will bring back any suggested modifications to MPs prior to summer 2004. Several changes to the DADRP are under consideration by the PRLWG which would also more closely align the NYISO program with PJM's program. |



Other Seams Related Activity

Recent Initiatives

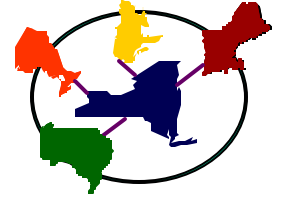
| Issue | Activity Description |
|--|--|
| <p>1. Elimination of Rate Pancaking</p> | <ul style="list-style-type: none"> ▪ PJM, NYISO and ISO-NE – The NYISO, New York TOs and the New York PSC have agreed to a mechanism to eliminate rate pancaking and a mechanism to keep TOs whole. ISO-NE included a proposal to eliminate pancaked rates between New York and New England on a reciprocal basis as part of its RTO filing and the New England RTO Order, issued on March 24, calls for the elimination of export fees between New York and New England by the end of 2004. ▪ A meeting between ISO-NE, NYISO, New York regulators and New England regulators is scheduled for April 2004 to discuss elimination of export fees between the regions. ▪ PJM and MISO Transmission Owners are holding discussions on the issue and FERC approved the existing through and out rates for the combined region until December 1, 2004. The parties have begun negotiations for the replacement long term solution that will go in effect on Dec 1st. |
| <p>2. Virtual Regional Dispatch</p> | <ul style="list-style-type: none"> ▪ NYISO and ISO-NE – The initial draft working paper is being revised to incorporate recent market participant input on the proposal. ▪ A joint meeting with ISONE is being planned. ▪ Overall technical definition and stakeholder approval slated for completion in fall 2004 with implementation subject to stakeholder approval and prioritization. |



Other Seams Related Activity

Recent Initiatives (continued)

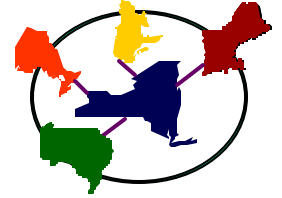
| Issue | Activity Description |
|--|--|
| <p>3. Coordination of Cross-Sound Cable</p> | <ul style="list-style-type: none"> ▪ NYISO and ISO-NE - An interim solution has been approved by the Management Committee that will permit the scheduling of secondary service in 2004 using a 3rd party scheduling administrator. ▪ The end state project (A-619) will provide an external proxy bus representation for controllable tie lines (HVDC and/or PAR) which span two control areas. The project addresses both the external node pricing calculations as well as scheduling of primary and secondary party transactions. |
| <p>4. E-Tagging Integration</p> | <ul style="list-style-type: none"> ▪ NYISO – Will implement automated tools to improve communication and updates of NYISO transaction bids and schedules with the E-Tag system. ▪ Automation provides direct benefits to other control areas, such as PJM, that are linking their systems to the E-Tag system for transaction scheduling inputs. ▪ Allows automated response on incoming E-Tag requests and automated updates for bid / schedule changes to the E-tag system resulting from the hour-ahead evaluation, checkout and curtailments. ▪ Phase I development (operations automation) is complete and is scheduled for deployment in April '03. ▪ Phase II will provide enhanced tools for Market Participants to create NYISO bids from E-Tag profiles or vice-versa. |



Other Seams Related Activity

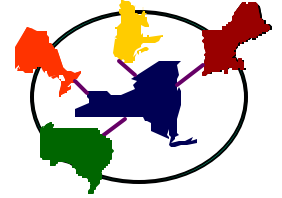
Recent Initiatives (continued)

| Issue | Activity Description |
|---|--|
| 5. Facilitated Checkout | <ul style="list-style-type: none">▪ NYISO, ISO-NE, PJM, IMO, HQ & MISO - have been participating in the specification of the communication protocol.▪ NYISO deployment of New York –New England operator checkout displays is targeted for May 2004.▪ Collaborative meetings have continued through NPCC and development of the specification and implementation standards document is in the final stages of review. |
| 6. ISO-NE Phase II HVDC Evaluation | <ul style="list-style-type: none">▪ ISO-NE, NYISO, PJM and HQ - Joint project to update the PJM/NY/NE methodologies and procedures for operation of the Phase II HVDC interconnection between New England and Quebec. |



Issues Pending Further Discussion

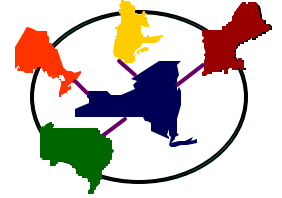
| Issue | Activity Description |
|---|---|
| 1. External Reserve Supply from NY to ISO-NE | <ul style="list-style-type: none">▪ A desire has been expressed by market participants to sell reserves into the New England reserve markets from suppliers located in New York. MPs suggest protocols be developed to allow reserves to be sold across the border coincident with the implementation of the Forward Reserves Market in ISO-NE. |
| 2. NY MS-7040 Transfer Study | <ul style="list-style-type: none">▪ NY study on the impact of MS-7040 transfers above the current 1500 MW limit is complete and recommended no change in the current limit but did recommend developing a process to assess available margins to support HAM scheduling above current MW limits. |



Quarterly Seams Review Meeting – April 8, 2004 - NYC

- ✓ Attendance:
- ✓ NYISO: Chuck King, John Buechler, Dave Lawrence
- ✓ PJM: Mike Bryson
- ✓ ISO-NE: Dave LaPlante, Jim Douglass (phone)
- ✓ NY Market Participants: Kevin Jones, Chris Wentlent (phone), Jim Scheiderich (phone), Ray Kinney (phone)

- ✓ ISO-NE summarized FERC RTO order – NE to submit compliance filing by June 22.



Quarterly Seams Review Meeting – April 8, 2004 – NYC (cont'd)

- ✓ Reviewed quarterly FERC seams report:
 - *Added clarifying comments from HQ on their participation in facilitated checkout.*
 - *Added LIPA's interest to sell reserves into NE under new Issue Under Discussion (Reserves Participation in Adjacent Regional Markets).*
 - *Added general cross-border controllable lines as new project.*
 - *Discussed interest in getting and update on e-Tagging within NY MSWG.*