

Mark S. Lynch
President & CEO

June 28, 2006

Hon. Daniel L. Doctoroff
Deputy Mayor
Office of the Mayor
City of New York
New York, NY 10007

Dear Mr. Doctoroff:

This is in response to your letter of June 15, 2006, concerning the results of the recent summer period electric capacity auction and the fact that an increased amount of available capacity in New York City has not resulted in lower capacity prices. We have given this matter considerable attention and have conducted an inquiry to determine the factors which brought it about.

The results of our inquiry are contained in a letter we sent to the Federal Energy Regulatory Commission (FERC) on June 7, 2006, a copy of which is attached.

The pricing regime which governs the sale of capacity in New York City was put in place, prior to the establishment of the NYISO, as a result of the divestiture by the Consolidated Edison Company of New York, Inc. (ConEd) of its power plants. It was the result of a proceeding initiated by ConEd, with the participation of the PSC and the approval of FERC. The FERC order cited in the attached letter makes it clear that the outcome described in your letter was envisioned at the time of the divestiture and is consistent with our tariff.

In the event that Market Participants in the NYISO wish to change our tariff, they are encouraged to work through the NYISO's governance process to develop proposed changes. The City of New York has been an active and effective participant in the NYISO's governance process. Finally, I would welcome the opportunity to meet with you and review this and more general matters, at your convenience.

Sincerely yours,

Mark S. Lynch

Attachment

cc: W. Flynn
J. Kelliher
G. Quiniones
A. Cochrane
L. Hinrichs
D. Wight