



STATE OF NEW YORK
EXECUTIVE DEPARTMENT
STATE CONSUMER PROTECTION BOARD

George E. Pataki
Governor
Director

Teresa A. Santiago
Chairperson and Executive

February 27, 2004

Mr. John W. Boston, Chairman
C/o William J. Museler
President and Chief Executive Officer
New York Independent System Operator
3890 Carman Road
Schenectady, New York 12303

Dear Chairman Boston:

The New York State Consumer Protection Board ("CPB") hereby files this letter in lieu of Motion in Opposition to the Notice of Appeal by the Independent Power Generators of New York ("IPPNY"). The CPB supports the February 4, 2004 decision by the Management Committee ("MC") to modify the Independent System Operator ("ISO") Agreement and MC By-Laws with regard to sector designations and fee structure for Demand Response Providers ("DRPs") and Distributed Generators ("DGs"). We request that the New York Independent System Operator ("NYISO") Board of Directors deny the Notice of Appeal ("Appeal") filed by IPPNY on February 19, 2004. The IPPNY Appeal challenges the February 4, 2004 decision by the MC to modify the ISO governance structure.

The process leading up to the MC decision fully complied with the procedures established by market participants and approved by the NYISO Board and the Federal Energy Regulatory Commission ("FERC"). Representatives from all sectors including the Appellant participated in a lengthy and thorough process at the By-Laws and Governance Subcommittee to develop the proposal that was approved by the MC. All parties were given ample opportunity to fully express their views and the Appellant drafted a significant portion of the proposal that was presented to the MC for approval. The motion approved by the MC received overwhelming support from three sectors, including substantial support from the Other Suppliers Sector, and was approved by over 65% of the MC.

The CPB requests that the NYISO Board of Directors deny the appeal by IPPNY. The current governance structure is working well and it is important not to radically shift the existing balance of power in any one direction. However, the outcome of a through, legitimate and well thought out process should not be set aside in favor of contentions that are based on speculations about future voting behavior that no one can predict. The Board should affirm the MC decision.

Very truly yours,

Tariq N. Niazi
Chief Economist

TNN/jf