

THE E CUBED COMPANY L.L.C.

E3

February 27, 2004

Providers of
Strategic Energy
Services At
The Exponential
Interface Among

- Energy
- Economics and
- Environment

Ruben S. Brown,
M.A., M.A.L.D.,
President

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Associate

Delivered via mail and telefax

Hon. John Boston
Chairman of the Board
C/o
Mr. William J. Museler
President and CEO
New York Independent System Operator
3890 Carman Road
Schenectady, N.Y. 12303

Re: Opposition to the Appeal of the Independent Power Producers of New York, Inc.

Dear Chairman Boston:

The signatory parties to this letter oppose the appeal of the Governance provisions for Demand Response and Distributed Generation Providers approved at last month's Management Committee meeting. That agreement was developed through extensive negotiations at the By-Laws Subcommittee meetings over the course of nearly a year and approved by a large majority of the MC members. Moreover, any change, such as the one proposed by the Generator Sector, is likely not to gain MC approval and may serve to jeopardize the ability of Demand Response and Distributed Generation entities, an important part of the evolving marketplace, to gain voting membership this year. This voting membership privilege has, heretofore, not been available to this industry segment.

The E Cubed Company, LLC, in the person of Keith O'Neal, representing Joint Supporters¹, participated in many of the By-Laws meetings on these issues. Our first proposal was for inclusion as voting members in a separate sector with significant voting rights. We believe this model most closely matches FERC's recommendation made in its July, 2002, NOPR on Standard Market Design. It also matches the governance structure that was negotiated for the now defunct Northeast RTO that was to combine the NYISO with ISONE. In those discussions it was clear that no other existing sector had similar interests to this new industry segment and furthermore, no other sector wanted Distributed Generation or Demand Response entities as part of its sector. In the By-Laws subcommittee, it was clear that no other party seemed to want to create a separate sector because they would lose voting weight. After extensive negotiations and much

¹ The Joint Supporters include for this purpose, NYISO customer Allied Utility Network, and SCR provider Siemens Building Technology, District One, Monroe New Power, LLC, and The E Cubed Company, LLC.
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compromise on the part of both E Cubed and many parties that participated, there came a general consensus that formed the proposal that was approved by the MC. Such a hard fought agreement should not be overturned.

Within the confines of today's existing sectors, the Other Supplier sector is the best fit, though as noted above, it is not a perfect fit. The Generator sector proposal to put DO and DR in the Public sector is inappropriate. Demand Response and Distributed generation have little in common with those in this sector. The package that was approved is appropriate given the circumstances of the negotiations and the confines of existing sectors where each sector will serve to protect its voting strength and singularity of its members. If we were starting from scratch to create a brand new ISOIRTO it would be appropriate to create a separate sector with significant voting rights because of the unique interest of this new and evolving sector, because of its importance to the competitiveness of the marketplace, and because of its infant industry status.

Up to this point in time, the NYISO governance structure, because of lack of DG and DR membership, has not been well informed of the particular needs of this new industry segment which is unfortunate because it is at the ISO level where market rule development takes place. The newly approved governance rules, while not our first choice, should serve to gain membership from this underrepresented industry sector.

Very Truly Yours!

A handwritten signature in black ink that reads "Ruben S. Brown". The signature is written in a cursive style with a large, stylized initial "R" and "B".

Ruben S. Brown, MA.LD. President,
The E Cubed Company, LLC.
The Joint Supporters