

August 15, 2002

Mr. Richard J. Grossi
Chairman
New York Independent System Operator
3890 Carman Road
Schenectady, NY 12303

Re: Proposed NERTO filing by NYISO and ISO-NE

Dear Chairman Grossi:

The City of New York hereby joins the other sector representatives who have urged the NYISO Board to defer filing with the Federal Energy Regulatory Commission a plan to create a Northeast RTO. We recognize that the NERTO proposal was endorsed by the Boards of both the NYISO and the ISO-NE. However, the July 31 issuance of a comprehensive rule-making notice by the FERC on market design issues has significantly changed the circumstances under which the original Board votes in support were held. Indeed, as you advised the Management Committee in July, FERC Chairman Wood himself requested a deferral of the NERTO filing until after the NOPR was issued.

As others have noted, the NOPR is voluminous, and will require a good deal of time and effort by all interested parties to provide comments to the FERC between now and the October 15, 2002 deadline. Moreover, FERC was in numerous instances quite explicit in asking for responses to a host of questions that it must grapple with before the rule-making process is completed. Commissioner Breathitt in her concurrence to the NOPR refers to more than seventy-five such questions. This is significant to our request because a number of those questions relate specifically to issues that will clearly affect the operation of any RTO - including NERTO, if that is the form that it eventually takes. These include local market mitigation, cost apportionment among different classes of customers, controlling anticompetitive practices, and the precise function and authority of the market monitor.

The information and experience gained by the Board and its staff in developing the NERTO proposal will undoubtedly be applicable in the complex SMD process as it goes forward in our region. We would simply ask that the Board defer the submission of any RTO proposal until a time when it has had an opportunity to duly consider the

comments of those who participate in the rule-making process, and the reaction of the FERC to the comments that it receives as it devises a final Rule.

We would appreciate the Board's consideration of this request.

Very truly yours,

Michael J. Delaney, Esq.
Energy Policy Advocate
City of New York

cc: Mr. William J. Museler