



STATE OF NEW YORK
EXECUTIVE DEPARTMENT
STATE CONSUMER PROTECTION BOARD

George E. Pataki
Governor

May M. Chao
Chairperson and Executive Director

August 12, 2002

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

Dear Chairman Grossi:

I am writing this letter in support of the Transmission Owners Committee's (TOC) August 9, 2002 request to the NYISO Board to withhold its filing to the Federal Energy Regulatory Commission (FERC) for a declaratory ruling on the formation of a Northeast Regional Transmission Organization (NERTO) until FERC's Notice of Proposed Rulemaking (NOPR) on Standard Market Design (SMD) is decided. According to the TOC, this process is expected to take less than six months.

In June 2002, the NYISO at the request of Chairman Wood agreed to postpone its NERTO filing to allow FERC to work with interested parties on Northeast seams issues and to address other issues in its Standard Market Design NOPR. We believe that the release of the NOPR has advanced that debate. However, further progress is needed as parties comment on the NOPR and FERC conducts its outreach effort including a number of conferences to hear from interested parties. In our view, the market participants would be served better if the NYISO postpones its filing until the SMD debate is completed and FERC issues its final ruling.

The adoption of SMD will be the single most important change since the formation of the NYISO. It will have far reaching impacts on all market participants for years to come. It is imperative that the NYISO and market participants focus their efforts on the many questions that will arise in this debate. Further, we believe that a successful resolution of SMD issues will facilitate efficient consideration of NERTO, since many of the questions raised by market participants regarding NERTO were related to market design.

Based on the above reasons, the Consumer Protection Board supports the TOC's request to postpone the NERTO filing until FERC's SMD process is finalized.

Very truly yours,

Tariq N. Niazi
Chief Economist

cc: Members of NYISO Board of Directors
Members of the ISO-New England Board of Directors