

Multiple Intervenors

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August 13, 2002

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

Re: Proposed Formation of Northeast Regional Transmission Organization

Dear Chairman Grossi:

Multiple Intervenors hereby submits this letter in support of the letter from members of the Transmission Owners Committee ("TOC"), dated August 9, 2002, which urged the New York Independent System Operator, Inc. ("NYISO") Board of Directors ("Board") to refrain from filing with the Federal Energy Regulatory Commission ("FERC") a petition for a declaratory ruling on the proposed formation of a Northeast Regional Transmission Organization ("NERTO").

Multiple Intervenors is an unincorporated association of approximately 55 large commercial and industrial energy consumers with manufacturing and other facilities located throughout New York State. Five of Multiple Intervenors' members are members of the NYISO Management, Business Issues and Operating Committees. Through these members, Multiple Intervenors also is very active in various NYISO working groups and task forces. All of Multiple Intervenors' members operate facilities in the New York Control Area and many members also operate facilities in the ISO New England, Inc. ("ISO-NE") control area.

As you are aware, FERC recently issued a Notice of Proposed Rulemaking ("NOPR") with respect to its proposed Standard Market Design ("SMD"). The SMD NOPR is a voluminous document (*i.e.*, well over 600 pages, including appendices) that raises scores of issues on the numerous topics addressed therein. Interested parties have 75 days to review and comment upon the NOPR, and to do so will require a significant commitment of time and resources. As the TOC members point out, if the NYISO makes its planned NERTO filing in the near future, attention will be diverted away from the SMD process because interested parties would be forced to allocate limited resources to responding to both critical documents, essentially at the same time.

More importantly, there is a considerable likelihood that any NERTO filing made by the NYISO now would conflict with the SMD adopted by FERC. As noted above, the SMD NOPR raises countless issues. In fact, numerous issues are identified in the NOPR upon which FERC expresses uncertainty and solicits comments on different possible approaches. Thus, even if, *arguendo*, NYISO and ISO-NE were to attempt to conform the draft NERTO filing circulated previously to the NOPR, it is highly likely that the SMD adopted ultimately by FERC would differ, possibly substantially, from the NERTO filing. Deferring any

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NERTO filing, as advocated by the TOC and Multiple Intervenors, would produce two significant benefits. First, such a filing, if it is made, presumably would comply, at least in large part, with FERC's SMD. Second, by deferring any NERTO filing, interested parties would be informed by FERC's SMD ruling when commenting upon the NERTO filing, thereby, hopefully, minimizing issues in dispute.

Two additional points warrant comment. First, the cost/benefit study conducted by NYISO and ISO-NE reveals that the vast majority of projected benefits of a NERTO flow from the standardization of the two markets, including an elimination of seams, and also from the elimination of export fees. Based on the NOPR, it is very likely that the SMD adopted by FERC will produce these benefits regardless of whether a NERTO is formed. Thus, moving ahead with the NERTO now could result in New York (and New England) stakeholders incurring all of the costs associated with NERTO formation – which are substantial – and realizing precious little in terms of incremental benefits. Thus, in addition to waiting until SMD issues are resolved by FERC, the Board should defer making any NERTO filing until it has re-run the cost/benefit study in light of FERC's SMD and demonstrated that the incremental benefits to be realized by forming the proposed NERTO outweigh the associated costs.

Finally, it should not be forgotten that the draft NERTO filing that was circulated previously is very unpopular with stakeholders from all sectors. The draft NERTO filing garnered less than 20% support in New York, and even less support in New England. By deferring a NERTO filing until a FERC ruling on SMD, the Board would have the opportunity to: (a) re-examine the cost benefit analysis and ascertain whether the proposed NERTO is likely to result in net savings; and (b) re-evaluate the NERTO proposal in light of FERC's SMD. If it can be demonstrated that the proposed NERTO would produce net savings and is consistent with FERC's SMD, such a filing likely would enjoy much greater support from stakeholders than the draft NERTO filing was circulated previously.

For the reasons set forth herein and in the August 9th letter from TOC members, Multiple Intervenors urges the NYISO Board to refrain from making its proposed NERTO filing until, at the earliest, FERC has issued its ruling on the SMD NOPR.

Thank you for your consideration of this letter.

Very truly yours,

MULTIPLE INTERVENORS

Michael B. Mager
Counsel

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cc: Mr. William J. Museler

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