



New York State Energy Research and Development Authority

Vincent A. DeIorio, Esq., *Chairman*
William M. Flynn, *President*
Toll Free: 1 (866) NYSERDA
www.nysERDA.org • info@nysERDA.org

August 14, 2002

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

Dear Chairman Grossi:

As President of New York State Energy Research and Development Authority (NYSERDA), a member organization of the NYISO's Management Committee, and as Chairman of the New York State Energy Planning Board, I urge the NYISO Board of Directors to refrain from filing a request for a declaratory ruling, with respect to the formation of a Northeast Regional Transmission Organization (NERTO), with the Federal Energy Regulatory Commission (FERC). I believe that it is premature to take action until FERC's recently issued Notice of Proposed Rulemaking (NOPR) on Standard Market Design (SMD) has been finalized. I urge the NYISO to work expeditiously toward establishing a regional market for electricity in the Northeastern United States, consistent with the goals and objectives of the *New York State Energy Plan* (2002) to ensure that benefits of a regional market are realized by New York consumers.

New York State supports FERC's attempt to establish a regional market in the Northeastern United States to run the daily power markets and oversee the flow of electricity. While states in the Northeast have previously been working to resolve "seams" issues that inhibit economic exchanges of power, the FERC Order could expedite that process and hasten the resolution of those issues. Over time, the regional market approach will strengthen the reliability of the system, promote better transmission planning, and result in wholesale prices for electricity that reflect the efficient operation of a regional electricity market.

The State Energy Plan proposes that certain principles be established to guide development of a Northeast regional electricity market. These principles include:

- Ensuring that short-term economic pressures do not shortchange the reliable operation of the electric system. A regional electric system must incorporate local reliability requirements. Until a more optimal system is developed, the current configuration of three physical control areas should be maintained.

Main Office
Albany
17 Columbia Circle
Albany, NY 12203-6399
Toll Free: 1 (866) NYSERDA
Phone: (518) 862-1090
Fax: (518) 862-1091

West Valley Site
Management Program
10282 Rock Springs Road
West Valley, NY 14171-9799
Phone: (716) 942-4387
Fax: (716) 942-2148

New York City
485 Seventh Ave., Suite 1006
New York, NY 10018
Phone: (212) 971-5342
Fax: (212) 971-5349

Buffalo
617 Main Street, Suite 105
Buffalo, NY 14203
Phone: (716) 842-1522
Fax: (716) 842-0156

- Protecting consumers through effective market monitoring and mitigation in areas where competition is inadequate.
- Supporting ongoing efforts to remove “seams” inhibiting trading among regions. The work to pursue efficient commerce across the Northeast, which began in 1999, must continue during the transition to a regional common market.
- Providing for effective input from all stakeholders while maintaining the independence to act in the public interest. There should be a single, independent governing body that provides mechanisms for effective input from stakeholders in a meaningful shared-governance partnership.
- Protecting consumer interests. State regulators should have a meaningful role in the development and operation of a regional market that reflects their responsibilities in siting of generation and transmission resources, local reliability, market monitoring, and energy efficiency.

The principles above are the product of a lengthy and rigorous State Energy Planning Proceeding involving all facets of New York’s energy industries, consumers, business and environmental interest groups, and citizens. In combination with other numerous aspects being considered through the Standard Market Design Notice of Proposed Rulemaking process, these issues should preclude any rush to action on the proposed NERTO. If a regional common market that encompasses the entire northeast region, as FERC had originally proposed, is not possible, then the Energy Planning Board believes that approval of a New York/New England ISO should be predicated on the adoption of a regional energy market structure that includes PJM.

Thank you very much for your consideration of this request.

Sincerely,



William M. Flynn
President, NYSERDA

- c: Joseph H. Boardman, Commissioner, State Department of Transportation
Erin M. Crotty, Commissioner, State Department of Environmental Conservation
Charles A. Gargano, Commissioner, State Department of Economic Development
Maureen O. Helmer, Chairman, State Public Service Commission
May M. Chao, Chairperson and Executive Director, State Consumer Protection Board
Richard M. Kessel, Chairman and Chief Executive Officer, Long Island Power Authority
Eugene W. Zeltmann, President and Chief Executive Officer, New York Power Authority