

August 9, 2002

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

Re: NERTO FERC Filing

Dear Chairman Grossi:

I am writing on behalf of Strategic Power Management (SPM) to urge the NYISO Board to defer its proposed NERTO filing with the Federal Energy Regulatory Commission (FERC) until FERC's Standard Market Design (SMD) has been finalized.

The SMD NOPR is huge -- over 600 pages -- and complicated. Parties have 75 days to review and comment. Obviously, the SMD process is very important for all market participants, the NY ISO and New York State customers. Participation in the FERC SMD process requires a great deal of time. Dealing with a NERTO filing at the same time as the SMD NOPR will preclude SPM and other small market participants from any effective participation in either filing.

Once the SMD has been completed, many of the issues that would likely be litigated in a NERTO proceeding will be resolved or substantially refined. It makes little or no sense to litigate or negotiate the same issues in two different proceedings.

The work that has up until now gone into the NERTO filing is undoubtedly of value as the SMD process gets underway. SPM respectfully requests the NY ISO Board to focus first on the SMD and then get back to the NERTO filing or other RTO that may evolve from the SMD process.

Thank you for taking our position into consideration in your deliberations.

Very truly yours,

Daniel P. Duthie
Vice President and General Counsel

cc: Members of the NYISO Board of Directors
William J. Museler, President and CEO