Board of Directors and Management Committee Meeting
Sagamore Hotel
Bolton Landing, NY

June 11, 2007

Compiled Market Participant Comments

Enclosed are compiled comments/questions on the following agenda items for the June 11 Joint Board of Directors and Management Committee Meeting:

- Economic Planning
- Market Evolution
- Advanced Metering

Comments provided by:

DC Energy
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IPPNY
Glenn Haake, General Counsel

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DC Energy Input Regarding
Economic Planning, Market Evolution and Metering Initiatives
May 10, 2007

Introduction

The establishment and launch of RTOs and ISOs has been a relatively recent phenomenon. While the New York region has had a strong reliability, planning and economic structure since the creation of the New York Power Pool in 1965, NYISO and the LMP markets is a dramatic change for the region. Discussions among the utilities regarding LMP markets began as early as 1989 with Christenson & Associates followed by Professor William Hogan beginning in the early 1990's. These discussions expanded in the mid-90's for all stakeholders to have a voice at the discussions that culminated with a successful launch of the NYISO LMP markets in November 1999.

At this juncture, and given the significant agendas that we believe must be addressed across policy, regulatory and investment aspects of the power industry, it is critical for NYISO to focus 5 to 10 years beyond today and assess what the future of the RTO industry will be and what specific expectations our stakeholders have of the New York. To that end, we strongly support the process NYISO has suggested for this Annual Meeting and feel that it will provide NYISO management, its Board and stakeholders a framework to continue this important evolutionary development of the NYISO markets.

At the outset we would like to ask the question: Are the various roles and/or visions of the future NYISO markets contingent on specific changes in electric utility regulation at the federal and/or state level? If so, what are the required changes?

DC Energy feels that most of the future development of the NYISO markets is not contingent upon fundamental changes at the federal or state level. The primary exception to this is that of increased demand response, which will require coordination of both State and Federal Commissions.

Economic Planning

What role(s) should the NYISO perform to enable the industry to meet the energy demands of the region at the lowest reasonable cost that will also eliminate the need for economic planning?

1) The NYISO should not get stuck solely in short-term "fire-fighting" mode but simultaneously be examining efficient solutions to continue to evolve the market.

The current administrative function for economic planning is a vestige of incomplete market development. Because of the lack of a competitive demand-side response to power price, there is an efficiency-gap in the market that has to be addressed administratively through an economic planning process. In particular, the lack of robust demand response is the main reason behind the need for an economic planning process to

avert the situation where the market cannot meet inelastic demands on a peak day or in a severely congestion situation. In essence, since there is no competitive demand response function to the market today, an administrative function must be used to ensure that the market can fulfill future demand requirements and address severe, prolonged congestion events.

2) The NYISO can avoid the burden of economic planning through promoting adequate demand-side participation in NYISO markets

On the other hand, if adequate demand response existed in the market today, then one would not have the same imperative for centralized economic planning. For example, with adequate demand response, the lack of adequate energy supply at some future date would not result in a reliability issue, but merely higher pricing, resulting in a natural feedback mechanism for motivating a natural economic response to building the necessary resources to meet future demand needs. This relieves the need for a central planning function to dictate to the market where resources are to be added.

3) The immediate task of economic planning should encompass transmission, generation and demand-side resources

NYISO role in meeting energy demands of the region at the lowest reasonable cost is that of a facilitator in the wholesale electricity market and, as such, NYISO must maintain a balance between reliability and economics. NYISO's economic planning process needs to evolve beyond just transmission planning for this region. Said differently, in the course of evaluating the various means to reduce congestion in the future, the NYISO should consider generation and demand response resources as well as transmission solutions. To limit the planning process only to transmission solutions introduces an artificial, and unnecessary, constraint into this process and does not necessarily result in a least cost solution to congestion.

What role should NYISO play in the economic planning cycle?

NYISO should perform a needs analysis that is independent of existing transmission owners' plans for the purpose of establishing a critical benchmark for comparison and contrast with the individual transmission owners' separate initiatives. The specific roles include the following:

a) Benefit assessment – NYISO should be responsible for performing an independent benefit assessment.

b) Project identification and development – NYISO should be responsible for independently identifying the appropriate solutions to congestion.

c) Cost allocation and revenue certainty – In general, DC Energy believes that Transmission Owners should have certainty of revenue adequacy however socialization of costs should not be used.

What role should the NYISO play in regulatory proceedings regarding new transmission?

Independent assessment of need. At the request of the appropriate regulatory oversight entity, NYISO should simply provide an independent assessment of the need for a given economic project as seen from a regional perspective.

Market Evolution

Which roles are in anticipation of likely market changes (forward markets, renewable energy, etc.)?

1) NYISO's role in administering its current markets include:

a) Achieving a fair price

NYISO should not allow socialization of costs, as it mutes prices signals and impairs the efficiency of the market. In addition, price signals that are not muted will provide incentives for demand response programs as well as investment in new generation and/or transmission projects.

b) Achieving a transparent market

NYISO's role is to provide the benefits of transparency to the marketplace. Given that NYISO is in possession of information that is not readily available to the marketplace, NYISO has a unique obligation and responsibility to proactively identify areas where additional transparency can improve the functioning of the competitive markets. As such, NYISO has an obligation to post prices and all of the information regarding the relevant price drivers. Not only does this transparency demonstrate the superiority of an LMP market, but it also introduces transparency into the bilateral market. To that end DC Energy has discussed with NYISO staff what additional data should be posted and DC Energy recommends that NYISO renew its efforts to expand data transparency in a collaborative effort with its stakeholders.

What additional products and service offerings does DC Energy envision that NYISO should implement?

2) The role of NYISO in developing and facilitating future markets

DC Energy envisions a NYISO future that includes additional product & service offerings which would serve to accomplish a variety of objectives. These future offerings would include: (a) a balance-of-planning-period TCC auction; (b) a long-term TCC auction; (c) a forward market that looks beyond the day-ahead; (d) pricing load at its physical bus both in the DAM and TCCs; (e) a market-based demand-side program that empowers customers and does not utilize subsidies; (f) more granular markets, including virtual energy; and (g) additional hedging tools.

a) A balance-of-planning-period TCC auction

The introduction of a balance-of-planning period TCC auction[1] would significantly increase the ability of Market Participants to better match changes in their need for congestion cost hedges (i.e. TCCs) with that of the constant changes in their physical load.

b) A long-term TCC auction

The implementation of long-term transmission rights (LTTRs) is a necessary step to fill a known gap in the existing market design. However, DC Energy urges NYISO to provide a TCC auction for a portion of the system capability for terms longer than one-year, such as five to ten years. The expansion of the TCC auction to cover periods greater than one year will increase Market Participants access to a long-term hedge against congestion costs.[2]

c) A forward market that looks beyond the day-ahead

There is substantial value associated with an increase in the time horizon associated with the forward market for energy that goes beyond the current, artificially constrained limitation of a day-ahead perspective.[3] For example, forward markets for energy could be a week-ahead, for the balance of the week, and/or beyond. Such an increase in the forward time horizon would directly and dramatically increase the liquidity of forward long-term energy contracts. The result of this increased liquidity would be the creation of the necessary stimulus required to ensure infrastructure investment.

d) Pricing load at its physical bus

LMP is designed to send economic signals directly to both load and generation (particularly in locations with scarce resources). However, under the current market design, the price signals sent to load are muted because load is aggregated into zones. As a result, market efficiency is compromised and the benefits of LMP markets are reduced. In contrast, bidding at load nodes would reveal the location of intra-zonal congestion and allow load the opportunity to respond appropriately.

e) A market-based demand-side program that empowers customers and does not utilize subsidies

DC Energy can envision a future in which there is a substantial increase in the participation of end-use customers as the links between the wholesale and retail markets for electricity become increasingly transparent. NYISO's implementation of more robust demand-side response programs would be a significant step in bridging the gap between these two related and interdependent markets. Most customers today don't see wholesale prices and do not have a means to react to wholesale prices. NYISO should work with the state commission to provide adequate means to empower customers with the ability to respond to wholesale prices.

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[1] In a balance-of-planning period TCC auction, the TCC products obtained in the auction are more granular over time than what is available today. For example, in NYISO, under the current annual auction, the TCC product cover distinct twelve-month six-month periods of time. However, in PJM, under a balance-of-planning period FTR auction, the FTR products cover each of the next three individual months as well as each of the three remaining quarters in the year resulting in a total a six FTR products rather than one.

[2] DC Energy also urges NYISO to consider a balance-of-planning period auction for long-term TCCs.

[3] One need only look to the natural gas industry for examples of how this has been accomplished in a related market.

f) More granular wholesale markets, including virtual energy and TCCs

NYISO should move from a zonal to nodal system. This will add transparency, better hedge tools for load, improved price convergence and provide greater incentives for demand response. This could be accomplished in stages. As the State of the Market reports have discussed subzonal congestion exists and greater price convergence can be achieved by allowing more granular virtual energy bidding in those zones. In addition to allay the fear of potential market power all market participants should be allowed to bid virtually at all generator nodes.

g) Additional hedging tools

Finally, DC Energy would encourage NYISO to develop additional financial spread products to assist Market Participants trying to more accurately hedge their risks between supply and demand across various periods of time. NYISO has structural advantages that cannot be replicated by external exchanges. For products where NYISO has a market such as those for day-ahead or real-time energy as well as TCCs, NYISO clearly dominates in terms of trading volumes relative to the volumes in external markets for power. Currently, Market Participants benefit from economies of scale in terms of cost sharing as well as centralized cost accountability. However, when comparing trading volume as a percent of actual product, NYISO falls far short of its potential.[4] By seizing these near-term opportunities and capturing this potential, Market Participants will realize additional benefits from the existing economies of scale as well as increase their ability to hedge risks.

What hurdles must the NYISO clear in order to achieve the envisioned role(s)?

3) The need for NYISO to seed standardization of its markets with adjacent markets

NYISO must be diligent in seeking standardization. While DC Energy recognizes that unique local and regional circumstances may justify the development of variations on a theme, NYISO's long-term objective[5] should be to resolve these local and regional differences over time. Through trial and error, the various standards adopted in all ISOs/RTOs will serve as an invaluable combined learning experience from which we can all borrow in the future.

4) The role of NYISO in improving market performance attributes (participation, liquidity and cost to operate)

Determine the extent that production costs have been minimized. How has this changed over time and why?

a) Improving the balance between collateral requirements and market risk.

[4] In the case of NYISO, the relevant trading volume-to-product ratio is Electronic Quarterly Reports sales volume to actual Load. The ratios for the various ISOs/RTOs are as follows: NYISO is 2.5; MISO is 3.8; PJM is 6.2; and ISO-NE is 6.8. In contrast, the comparable ratio for corn is 25 and for natural gas the ratio is 40.

[5] In this context, DC Energy assumes it may take as long as ten years to achieve this common standards objective.

Currently NYISO collateral requirements are inefficient in that they require too little in some case (i.e., some market participants do not have to provide any collateral while these same entities need to post collateral in exchange based markets) and too much in some cases (e.g., in the Virtual Energy market requiring collateral in Zone A based on Zone J risks clearly requires more collateral than necessary). Another improvement NYISO should consider is a clearinghouse mechanism to lower collateral requirements and risk for all participants.

b) Rationalizing current default risk allocation vs that of a competitive clearing company

In ISO markets without clearing, every participant bears default risk even the smallest LSE/Muni/Coop with no trading activity. With a standard clearing arrangement, clearing members bear risk. They have both the incentive and capability to properly manage the risk.

c) Improving the scarcity pricing to ensure that it is based on the appropriate value of loss load.

The NYISO should seek to minimize operator actions that serve to override the solution from the Security Constrained Dispatch (with the exception of those operator actions directly associated with maintaining reliability). We feel the NYISO should address some of the following question: How often do NYISO override the SCD solution and for what reasons? How has this changed over time and why?

d) Addressing the methodologies used in relieving transmission loading

The NYISO should closely monitor and seek to minimize the use of transmission loading relief. Key questions to explore: What is the frequency with which NYISO employs TLR? How has this changed over time and why? How does NYISO's use of TLR compare to other regions of the country (both to those regions with or without organized markets)?

e) Minimizing uplift charges resulting from the unit commitment process (i.e., day-ahead, intra-day, and real-time unit commitment).

The NYISO currently notifies participants of generation uplift events and makes a clear signal to the market as to when there are needs that go beyond the normal economic dispatch. However, key questions remain. To what extent is the load forecast accurate? How has this forecast accuracy improved over time? What level of unit commitment is associated with a load forecast that indicates an impending shortage? To what extent is load forecast accuracy correlated with unit commitment accuracy?

f) Identifying the trends associated with participation levels.

The NYISO participants have enjoyed increasing competitive forces and increasing participation. However, there are indications that the NYISO does not enjoy the same level of broad participation as its immediate neighbors, PJM and ISO-NE. Key questions include: To what extent has the number of Market Participants grown in each of the markets (i.e., day-ahead, real-time, FTR auction, etc.)? How has this changed over time and why? How do these participation levels compare to other organized markets? What are the potential reasons for the differing levels of participation?

g) Improving and metrics of market outcomes.

We suggest that the NYISO should explore expanding the use of metrics beyond the obvious set (prices, asset utilization, revenue recovery) to ensure just and reasonable rates as well as market efficient outcomes. DC Energy suggests the following potential areas to investigate:

Determine the degree of correlation between prices, load, and constraints. The accuracy of pricing outcomes should be measured according to their relevance to the corresponding operational circumstances.

Determine the degree of day-ahead and real-time price convergence and identify the cause of any inflection points.[6] To what extent do these prices converge?

Determine the level of improved availability of low-cost generation. Ranked for low-cost generation to high-cost generation, what are the capacity/availability factors?

Determine the level of improved forced outage rates and identify the extent that outage decisions have become economically rationalized.

Determine the extent the prices move in tandem with movements in fuel prices.[7] To what extent are these movements correlated?

Seek to minimize the number and frequency of resettlements so as to provide financial assurances to the marketplace. What was the magnitude of any resettlements?

Determine the impact of NYISO operator actions on prices during emergency events and clearly demonstrate the correlation between emergency conditions and prices. What emergency actions were taken and what were the resulting prices? What would have been the result on prices if NYISO operators had not taken these actions?

Determine the effectiveness of credit / collateral requirements and the extent to which they strike the appropriate balance between shortfall exposure and ease of entry into the marketplace.

Determine the degree of NYISO member satisfaction.

Determine the effectiveness of NYISO staff responsiveness to Market Participants. What is the average turnaround time between requests for

[6] The identification of any inflection points is a critical indicator as to the long-term growth and health of this marketplace.

[7] DC Energy believes this metric will become increasingly important to our nation as scarcity in the various fuel markets become the leading energy issue of the future.

information and the response provided for Market Participants? How has this metric improved over time? And at what cost?

For many of these metrics NYISO should determine: (a) How has this changed over time and why? (b) How do these statistics compare to other organized markets?

Metering Initiatives

NYISO must be prepared to process increasing amounts and types of incoming data that are required to provide the information resources needed by an extended market. NYISO's leadership role in the industry will migrate towards the following aspects: (a) providing the portal platform for two-way communication standards; (b) aggregating a much richer array of real-time information to enable seamless grid control, operational efficiency and reliability across an ever-widening market footprint; and (c) fostering open systems architecture for the grid with full plug-and-play capability.

A Web-based business approach will simplify participant access, enable fast evolution as new applications are deployed for broad utilization, and, most importantly, serve as an industry-wide enabler to drive overall upgrading and modernization of the grid in a coordinated manner.

PJM has recently proposed a "smart grid" that may provide information and automation-enabled grid assets leading to more efficient operation, increased maintenance
planning optimization, better cost-to-value ratios for operation and maintenance, and ultimately better consumer satisfaction. A key ingredient would be two-way relationship between utility and end users so that both may become active participants through market-oriented services. DC Energy believes NYISO should work collaboratively with PJM to determine if they can jointly develop increased metering capability to achieve the common goals.

A quick glance at the RTD Energy Price Correction Report shows the harm to the market brought about by inaccurate system metering. Since June 1, 2006, 45 hours have had prices corrected due to telemetry errors. These errors, generally not transparent to market participants until after the fact, thereby hamper the operation of an efficient market.

What hurdles must the NYISO clear in order to achieve the envisioned role(s)?

NYISO must work closely with the New York Public Service Commission (PSC) and various neighboring state commissions in order to increase the level of demand response resources and end-use consumer participation in the marketplace. For example, DC Energy favors the use of real-time metering and retail tariffs to better enable consumers to respond to price signals in the wholesale market. While the purview of using such metering and tariffs rests with the PSC, NYISO's role is to ensure that it has

the technological capability to send these critical locational marginal price signals directly to these consumers.[8]

[8] The significance of this recommendation becomes increasingly important as our economy becomes increasingly information based.

NYISO Board of Directors
New York Independent System Operator
3890 Carmen Road
Schenectady, New York 12303

Energy Curtailment Specialists, Inc. (ECS) hereby submits the following written comments regarding Market Evolution for the NYISO Board as indicated in the April 17th e-mail, "2007 Joint Management Committee-NYISO Board of Directors Meeting-Request for Comments on Agenda Topics".

Introduction

ECS is the largest and leading demand response provider in the State of New York. ECS was founded in 2001, to provide both wholesale markets and Investor Owned Utilities with reliable demand response resources. ECS is an active participant with the NYISO, ISO New England, and PJM Interconnection. Additionally, ECS is a registered Aggregator with all three of California's Investor Owned Utilities, and recently signed a long-term demand response contract in the State of California. ECS' primary focus continues to be within NYISO's markets.

ECS portfolio of customers include a wide range of resources including the largest industrial loads, state schools and universities, healthcare providers, as well as property management and large commercial hotels. Some of ECS' more notable customers include Alcoa, General Motors, New York Post, and Columbia University.

Current Market-Demand Response

In the current market structure demand response resources sell into the Installed Capacity Market administered by the NYISO. As recognized in the Public Service Commission's 07028/06-M-1017 proceeding, changing markets and rules introduce risk and uncertainties for investors in demand side management (DSM) programs. As capacity additions create surpluses, installed capacity prices continue to decline leaving little incentive for investment in DSM. Even with adequate generation, transmission, and distribution, issues still arise. DSM is an effective tool for the state's wholesale market, providing the load reduction when called upon. DSM is another tool that grid operators have during times of transmission, distribution, or reserve shortages.

If DSM is set aside when generating capacity is adequate there will be little interest for participation in later years when generating capacity is short and DSM is once again needed. According to the 2007 Reliability Needs Assessment (RNA) analysis, there is a need for significant additions, including demand response, to meet capacity requirements in 2011 (southeastern New York) and Statewide requirements starting 2012. DSM programs need adequate price signals and assurance of longevity. This leads to the question of where New York State's DSM programs will be in the near future. With capacity resources in surplus, and changing market rules, these risks lead to lower participation in these programs. One thing is clear, New York State is looked to as a leader in the DSM and New York State must look for new innovative ways to enhance and grow DSM programs for the future.

Market Evolution for Demand Response

According to the New York Independent System Operator Power Trends 2007 report, Special Case Resources represent about 3.2% of the 2007 forecasted peak load for the State, 2.75% of New York City's peak load, and 2.76% of Long Island's peak load. According to United States Government Accountability Office, "Electricity Markets: Consumers Could Benefit from Demand Programs, but Challenges Remain,"[1] demand response programs across the United States can obtain between 5% and 50% of peak demand reduction, depending on program hours and the characteristics of the program. ECS firmly believes that New York State's DSM programs could easily deliver grid relief from 5% to 10% of the State's peak loads with long term incentive payments in place.

Currently, many of the largest of New York State's loads participate in DSM programs, and it is clear that DSM providers in New York like ECS have gone after and captured the low hanging fruit. ECS believes that developing market rules need to accommodate smaller resources that, in the aggregate, can provide good reliable (and substantial) demand reduction during a crisis. Current funding for metering is available from NYSERDA, but loads typically must meet a minimum kW reduction threshold of 100 kW, leaving smaller loads out of the DSM programs. Increasing meter funding for DSM program administrators is one way that will allow smaller load enrollment through

[1] United States Government Accountability Office, "Electricity Markets: Consumers Could Benefit from Demand Programs, but Challenges Remain, August 2004, p.23 http://www.gao.gov/new.items/d04844.pdf

aggregation, and help remove barriers to entry for these smaller loads that currently do not participate.

DSM programs in New York State have grown steadily, increasing from 500 MW in 2001 to over 1,600 MW of SCR and EDRP resources in April 2007. One reason for New York's steady growth increase in DSM programs is primarily driven by sustained price signals for DSM. DSM resources need long-term price signals coupled with long-term programs that help maintain grid operations and meet reliability criteria during high usage days. DSM resources need and require programs that will not disappear, along with financial incentives that will not evaporate when generating capacity is in surplus.

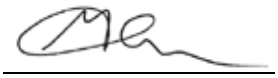
New York State's DSM programs will require additional market enhancements in order for New York to further increase DSM program enrollment. One way for New York to achieve further participation in DSM programs is to look at fixed market prices for DSM, or to put in place a supplemental DSM auction process. This DSM supplemental auction would require loads to procure a fixed percentage of their Installed Capacity Requirement from DSM. DSM resources that provide pure load curtailment (no utilization of back-up generation) should be recognized as a renewable, or clean environmental resource. Given the current state of environmental issues, such as Regional Greenhouse Gas Initiative, it is even more important for New York State to look to their DSM programs for additional load curtailment. Further enhancements such as recognizing DSM as a renewable resource, or as an environmental resource can assist

the State in meeting not only their reliability criteria but the State's requirement of 25% Renewable Portfolio Standard by 2013.

Conclusion

In conclusion, ECS would like to thank the NYISO and the NYISO Board of Directors for allowing us the opportunity to comment on what we believe are important issues for DSM programs in New York. ECS firmly believes there is substantial room for growth in New York State's DSM programs and markets.

Respectfully submitted,



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May 10, 2007

NYISO Board of Directors
New York Independent System Operator
3890 Carmen Road
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Dear Board Members,

EnerNOC, Inc. (EnerNOC) thanks you for the opportunity to comment on and suggest particular foci for the topics laid out for the upcoming NYISO Board of Directors – Management Committee Meeting.

EnerNOC is a national demand response (DR) provider managing 600 MW and is active in the NYISO's Special Case Resources program. We are active in all attractive DR areas of the United States and our directly controlled and metered resources participate in every type of market, including capacity, energy, and ancillary services (including both spinning and non-spinning reserves.)

It its memoranda announcing the joint meeting, NYISO indicated that the Board was particularly interested in three topic areas (1) Economic Planning, (2) Market Evolution, and (3) Metering Initiatives. EnerNOC would like to share its perspective and suggestions regarding the last two of these.

Market Evolution

The NYISO is at the forefront of developing efficient, effective energy and capacity markets. Although the NYISO has also made significant progress including DR in its energy markets, more work remains to be done. In particular, the NYISO needs to devote much more attention to facilitating the participation of aggregated groups of smaller customers in ASM and energy markets.

Of particular concern at this time is the NYISO's continued reluctance to allow aggregation of small customers in the ancillary service markets (ASM.) NYISO is on the verge of partially opening ASM markets to DR, yet so far has made no provision for small customer aggregation. Excluding aggregation of small DR customers will result in higher costs unnecessarily being born by market participants. We believe that this restriction will be unacceptable to FERC, who has yet to see NYISO proposal.

We do not wish to delay the deployment of DR participation in ASM for large providers, however, we do not think that any delay is necessary to develop a program that would allow small customer aggregation. The NYISO developed such a COO three years ago, and we would like to see it considered for implementation this year..

The "NOC" in EnerNOC stands for the Network Operations Center that lies at the heart of our operation, constantly monitoring metering information from thousands of remote sites and able to remotely control load curtailment or distributed generation at many of those sites. Our NOC is able to aggregate and communicate this data directly to the NYISO as frequently and with as much accuracy as the NYISO plans to require of large end-use customers. We propose that the NYISO should be willing to accept that data and thereby make the ASM markets accessible to thousands of the most flexible and rapidly responding resources available.

Metering Initiatives

The NYISO demand response programs have been as successful as they are in large part because of a series of conscious decisions to make participation as easy as possible. One such decision was to allow DR providers to self-report their performance data up to sixty days after an event using emailed Excel spreadsheets. We believe that the time has now come for the NYISO to adopt a more rigorous and automated approach to its DR notification and performance reporting functions.

Given the significant advances in technology and proliferation of meter data service providers since the formation of the NYISO, as well as the institution of automated data reporting systems elsewhere, we now believe that such a system would actually be more user-friendly than the current "low-tech" approach. For example, EnerNOC was not actually paid for its performance during the August 2006 emergencies until February, six months later. Our providers were also forced to wait.

In contrast, years ago ISO-New England adopted an Internet Based Communication System (IBCS) that keeps all DR providers in constant contact with the ISO. New resources are registered via the IBCS (in New York more than two thousand of them are processed by hand.) DR providers are notified of events via the IBCS (in New York a "temperamental" and error-prone third-party solution continues to be used.) Event data is reported in real-time via IBCS and is subject to rigorous error-checking protocols.

In New York, the customer baselines that determine performance and payment, are calculated by DR providers with essentially no verification by the NYISO. In New England, the IBCS system calculates these metrics automatically directly from real-time meter data feeds.

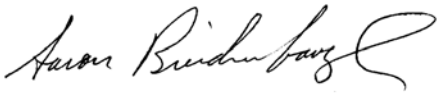
The result in New England is a far more reliable, accurate and timely system that uses far less manpower and avoids far more overpayments than the NYISO system. Although its cost was very nominal (far less than $1 million), the IBCS has already more than paid for itself.

EnerNOC has recently spoken with NYISO staff about this issue, with encouraging indications. In addition, we understand that NYISO, PJM and ISO-NE recently held a joint meeting on exactly this subject. At that meeting there was much interest expressed in the ISO-NE system and we would encourage all three ISOs to carefully consider the benefits that could result from the use of a common IBCS across the region. While it is certainly not necessary to use the ISO-NE system as is, we hope that NYISO (and PJM) will not insist on "reinventing the wheel". As anyone familiar with it in New England will attest, the ISO-NE IBCS is a powerful, effective and user-friendly tool.

Conclusion

We thank you again for this opportunity and look forward to working with the NYISO Board, Staff and Participants to ensure that demand response continues to play an active and productive role in New York.

Sincerely,



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To: IPPNY Members

From: Glenn D. Haake

Date: Thursday, May 10, 2007

Re: Comments on Joint MC-Board Meeting Topics

IPPNY offers the following issues for consideration at the joint Board-MC meeting. Please be advised that this document has not been reviewed and approved by IPPNY's members.

Market Evolution

- Incorporating new environmental constraints and whatever policy initiatives emerge from the NYPSC integrated planning/long term contract proceeding into the NYISO-administered markets in a manner that is non-discriminatory and does not undermine efficient, competitive market outcomes and market signals will be a big challenge posed in the near term to the NYISO and its market participants

- The NYISO needs to align the market rules with generation resource operating costs and system reliability needs. It needs to ensure that we market rules will assure reliability services will be met and that the generators are compensated for services they provide. Additionally, the NYISO should ensure that the flexibility of generators and the markets are not artificially constrained by our rules. Pursuing these efforts will make our market more efficient and will ensure better operation over the long run.

- The NYISO needs to place a very high priority and devote the resources necessary to address the generator bidding and scheduling review and associated market improvements currently under review before the Market Issues Working Group

- A forward capacity market (FCM) that coordinates the capacity procurement horizon with the planning horizon is needed to send appropriate price signals in a time frame that can enable the market to respond to required new capacity additions. Instituting an FCM would make the NYISO capacity market mechanism consistent with the reliability rules and would significantly reduce the need for regulatory override of our markets.

Economic Planning

- NYISO should not undertake economic planning because it would place the NYISO in the role of and integrated resource planner and undermine competitive markets by vitiating the reliability of price signals to provide the incentive for efficient competitive entry.

- To the extent that the NYISO believes compelling economic projects are not being pursued in the marketplace by merchant developers, its role should be to (1) determine whether a market flaw or omission exists that is impeding the presence of proper market signals or erecting barriers to efficient market entry and (2) develop new market rules and improvements that will support new entry and the retention of needed existing resources.

- The NYISO must ensure that any centralized planning initiatives undertaken by the PSC are incorporated in the market in a manner that does not undermine competitive market signals.

- The NYISO should participate actively in the PSC proceedings to guide their adoption of appropriate policies and procedures

Metering Initiatives

- IPPNY believes the NYISO must commit to implementing mechanisms and market rules that will ensure that the metering authorities improve the quality and timeliness of meter readings. The current status is characterized by unreasonable delay in receipt of meter readings and unacceptably late meter revisions leading to settlement uncertainties.

- The appeal of the Management Committee's approval of real-time guarantee payment mitigation, based in part on the exceedingly late potential for after the fact mitigation resulting from late meter revisions, is a perfect example of the unacceptable level of market uncertainty currently associated with metering procedures.

COMMENTS OF MULTIPLE INTERVENORS

Multiple Intervenors, an unincorporated association of approximately 50 large industrial, commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State, hereby submits Comments on economic planning issues to the Board of Directors ("Board") of the New York Independent System Operator, Inc. ("NYISO"). Multiple Intervenors welcomes the opportunity to present its positions to the Board on economic planning issues, both in these Comments and at the joint meeting of the Board and the Management Committee scheduled for June 11, 2007.

Multiple Intervenors recognizes that Order No. 890, issued by the Federal Energy Regulatory Commission ("FERC") on February 16, 2007,[1] contains certain requirements regarding economic planning. It is Multiple Intervenors' understanding that the NYISO intends to comply with FERC's Order No. 890 to the extent necessary. For the reasons set forth below, however, and subject to binding, FERC-imposed requirements, Multiple Intervenors advocates that the NYISO and its Board refrain, to the maximum extent practicable, from engaging actively in economic planning.

Initially, the Board should be aware that the New York State Public Service Commission ("Commission") currently is examining whether to implement a new statewide integrated resource planning process that would address, inter alia, economic considerations.[2]

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[1] Docket Nos. RM05-17-000 and RM05-25-000, Preventing Undue Discrimination and Preference in Transmission Service, Order No. 890 (issued February 16, 2007).

[2] See Case 06-M-1017, Proceeding on Motion of the Commission as to the Policies, Practices and Procedures For Utility Commodity Supply Service to Residential and Small Commercial and Industrial Customers, Order Requiring Development of Utility-Specific

Inasmuch as the NYISO is a "one-state ISO," it is particularly important for the NYISO to refrain from adopting an economic planning process that is duplicative and/or inconsistent with that implemented by the Commission.

Moreover, Multiple Intervenors, and numerous other parties, are very concerned about the NYISO engaging in economic planning. The NYISO has in place a broadly-supported reliability planning process, in which the NYISO's role is clearly defined. All sectors generally recognize that: (a) the reliability of the State's bulk power system must be maintained; (b) it is appropriate for the NYISO to evaluate continuously the future reliability of the bulk power system; (c) it is appropriate for the NYISO to identify existing and potential future reliability needs; (d) the market should be accorded the first opportunity to respond to reliability needs as the preferred option; and (e) if the market fails to respond adequately to identified reliability needs, regulated solutions must be pursued to ensure that reliability is maintained. This type of consensus on a fundamental approach to economic planning issues simply does not exist.

Economic planning is not needed to maintain reliability. There is no consensus that the NYISO should be engaging in economic planning of any kind. Indeed, most parties believe that the NYISO should refrain from identifying particular economic needs or advocating on behalf of potential projects to address economic needs. If the market fails to respond to price signals indicating that a potential economic need exists, it is debatable whether regulated, economic "solutions" are necessary or desirable. Furthermore, even if, arguendo, economic planning is deemed desirable from a public policy perspective,

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Guidelines for Electric Commodity Supply Portfolios and Instituting a Phase II to Address Longer-Term Issues (issued April 19, 2007).

it is not at all clear that the NYISO is the entity that should be responsible for its implementation.

One of the defining characteristics of an economically-driven project is that there will be "winners" and "losers." Economic planning typically focuses on congestion-related costs, and the economic impacts associated with relieving congestion. However, whereas pricing may improve for parties on one side of congestion if such congestion is relieved, such relief typically will cause economic harm to parties on the other side of the congestion. Indeed, some market participants may have taken certain business positions in reliance on the price signals resulting from congestion.

Multiple Intervenors submits that the determination of what economic projects should be pursued, thereby creating the possibility of winners and losers, is beyond the appropriate role of the NYISO. The NYISO's primary responsibilities are to operate New York's bulk power system reliably and to administer the State's wholesale electricity markets in an equitable and non-discriminatory manner. The NYISO should not place itself in the position of promoting, or even evaluating, specific economic projects that can have disparate impacts depending on a party's location vis-à-vis the congestion. Ideally, the market should responsible for advancing economically-driven projects; to the extent market intervention is necessary, the Commission is the more appropriate entity to fulfill that role.

Economic planning raises a multitude of issues upon which reasonable minds may differ. Additionally, certain factual circumstances may warrant an approach not appropriate for all circumstances. Significantly, with limited exceptions, most market participants – including Multiple Intervenors – favor the NYISO generally adopting a "hands off" or minimalist approach to economic planning activities at this time. Depending on the

outcome of the pending Commission proceeding addressing integrated resource planning issues, it may be appropriate for the NYISO to revisit economic planning issues at a later date.

Multiple Intervenors is prepared to respond to any questions that the Board may have with respect to its positions.

Dated: May 10, 2007
Albany, New York

Respectfully submitted,

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NYISO – Joint BOD-MC Meeting – June 11, 2007
Transmission Owners Topics

Attached are topics that the TOs suggest should be discussed at the Joint Meeting in relation to Market Evolution :

1. ICAP Market - NYISO's consideration of a forward ICAP market.

2. Deliverability - the need to implement an effective deliverability test to avoid the bottling of generation and having consumers pay for ICAP that is not useful.

3. Seams - the need to eliminate seams that continue to hinder the efficiency of the NYISO markets.

4. Expansion TCCs - the need to develop rules for the awarding of TCCs for system expansion transmission facilities.

5 Regional Planning - the NYISO should be an advocate of more effective regional planning, including an improved Inter- Regional Planning Stakeholder Advisory Committee with more meaningful market participant input;
- the NYISO should be vigilant in protecting New York consumers from proposals that would shift costs for PJM projects to New York.

6. Wind Resources - the NYISO should do further modeling and analysis to support the development of revised rules to better integrate the output of wind generators into the NYISO scheduling process.

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