

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

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PUBLIC SERVICE COMMISSION

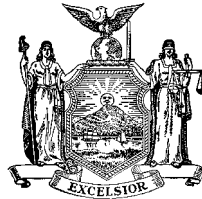
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October 29, 2004

Robert E. Fernandez, Esq.
General Counsel
New York Independent System Operator, Inc.
3890 Carman Road
Schenectady, NY 12303

RE: FERC Docket No. ER04-1144-000

Dear Mr. Fernandez:

By letter dated October 19, 2004, the Federal Energy Regulatory Commission (FERC) requested that the New York Independent System Operator (NYISO) amend its August 20, 2004 tariff amendment filing establishing a comprehensive reliability planning process (CRPP) for New York in FERC Docket No. ER04-1144-000. In that letter, FERC requested the NYISO to provide, *inter alia*, further description of the criteria which the New York Department of Public Service (Department) will employ in reviewing alternative regulated proposals to address reliability needs prior to submission of those proposals to the NYISO.

As explained in the NYISO's filing letter accompanying the CRPP tariff amendments, the development of the CRPP in New York was accomplished with stakeholder input. Just as the overall CRPP was developed with major stakeholder involvement, we intended that the specific criteria that we would use to screen projects other than transmission solutions would be developed in consultation with the stakeholders. As the development of these criteria will involve a substantial investment of resources, in the interest of efficiency, we will finalize the specific criteria once the Commission approves the tariff. As a starting point for consultation with stakeholders, we have sought their comments on what specific criteria should be included and how the review process should be structured. These comments will be submitted to the Department by October 31.

In the meantime, Department staff has preliminarily identified five criteria for our review of alternative regulated proposals. Particularly, these criteria call for examining whether the proposal is: 1) based upon commercially viable technology; 2) likely, based upon engineering judgment, to solve the reliability need; 3) capable of implementation in time to solve the reliability need; 4) consistent, in terms of projected costs, with normal expectations for a

solution to the particular need; and 5) complete, *i.e.*, contains sufficient information for further review under the CRPP. Moreover, we have committed to working with the market participants to assist them to cure any deficient alternative regulated proposals.

I hope that this information will assist you in your response to FERC. If I can be of further assistance, please feel free to contact me.

Very truly yours,

Dawn Jablonski Ryman
General Counsel