

March 11, 2010

New York Independent Systems Operator
Dr. Nicole Bouchez,
10 Krey Boulevard
Rensselaer, NY 12144

RE: Consolidated Edison Solutions Comments on Proposal for ROS Generator Mitigation for Units Committed for Reliability

Dear Dr. Nicole Bouchez,

I support your proposal to put effective protective measures for consumers when individual suppliers have market power and the ability to manipulate market prices. Rules must be put into place that will prevent any repeat of the incident that occurred in the North Country. Supplier behaviors that artificially raise guarantee payments are especially harmful to ESCO's and LSE's because the cost are socialized as uplift charges, and can't be hedged. The suppliers brought many of their concerns to the NYISO, as addressed in your February 25th proposal, in this memo; I would like to submit some ESCO concerns.

As an ESCO, one of my concerns is on the **interim reliability payment stream**. The proposal intends to begin the payment upon NYISO determination of a reliability need and not to follow the owner retirement date. I believe this can result in duplicate payments, as the generator is likely receiving capacity payments, and already has capacity obligations. Any additional payments would also contradict the existing PSC procedures for retirement, which do not allow for additional out of market payments.

A second concern is on the treatment of approved reliability units in current NYISO auctions. The capacity from these units should be included in the demand curve spot auction as part of the excess supply. There should be no ability for these suppliers to opt out of the capacity auction to effectively raise the clearing price of the demand curve. The units who receive a reliability payment should also not be able to sell capacity bilaterally to another market participant or offer capacity into any NYISO auction for additional payments.

A third and most important concern for ESCO's is on the mechanism the NYISO will propose to collect for the reliability payment. ESCO's need the ability to hedge the capacity cost for their customer or predictable capacity prices when they are unable to hedge. Adding a supplemental capacity charge would reduce ESCO's ability to hedge. NYISO should consider providing advanced notice of any reliability payment rate to all ESCO's. The PSC procedures require 180 day notice, and the NYISO can provide immediate notification to ESCO's of pending retirement and on a best efforts inform the same ESCO's, when the reliability studies determine the need

for a payment. This process will serve the ESCO, so they can correctly predict the added expense to include into their fixed customer contracts.

Sincerely,

Norman Mah
Manager Regulatory Affairs
Consolidated Edison Shared Services