

PENDING BUSINESS RULE DESIGN CHANGES, DATA CORRECTIONS, AND FINAL BILL CHALLENGES
AS OF 2/21/2003

I. Business rule modifications and data corrections pending resolution

DESCRIPTION	ESTIMATED IMPACT	PERIOD(S) AFFECTED	EXPOSURE	BENEFIT	Status
TCC definition corrections	Anticipated to be <\$2M	• Various	<ul style="list-style-type: none"> • Transmission Owners: Potential increase in DAM congestion shortfall costs when TCC rents were negative • TCC Holders: Potential negative TCC rent 	<ul style="list-style-type: none"> • Transmission Owners: Potential reduction in DAM congestion shortfall costs • TCC Holders: Potential additional TCC rent 	<ul style="list-style-type: none"> • Corrections to business rules were scheduled for deployment in 1/2003; however, testing revealed business rule logic dependencies. Deployment likely delayed to 3/2003.
July 20 - October 31, 2001 in-city mitigation per FERC	Quantification currently not available;	• July 20, 2001 - October 2001	<ul style="list-style-type: none"> • Generators: Potential reduction in BPCG revenue for affected unit 	<ul style="list-style-type: none"> • Transmission Customers: Potential reduction in Schedule 1 uplift costs to NYC LSEs 	<ul style="list-style-type: none"> • Corrections to business rules under development; implementation date not available
85-15 split of NYISO costs & FERC fees between transmission customers & suppliers	• ~ \$6M through October 2002	• June 2002 - current	<ul style="list-style-type: none"> • Generators: Assumption of 15% of NYISO costs of operations & FERC fees, totaling approximately \$6M through October 2002 	<ul style="list-style-type: none"> • Transmission Customers: 15% reduction in OATT Schedule 1 NYISO costs of operations & FERC fees, totaling approximately \$6M through October 2002 	<ul style="list-style-type: none"> • Corrections to business rules under development; implementation anticipated for 1st quarter of 2003
Transmission loss allocation	Quantification currently not available	• May 2002 - current	<ul style="list-style-type: none"> • Transmission Customers: Potential increase in load allocated to LSEs in sub-zones whose loss allocation percentages decrease under the new methodology • Transmission Owners: Potential increase in unaccounted for energy due to changes in load sub-zonal load under new methodology. 	<ul style="list-style-type: none"> • Transmission Customers: Potential decrease in load allocated to LSEs in sub-zones whose loss allocation percentages increase under the new methodology • Transmission Owners: Potential decrease in unaccounted for energy due to changes in sub-zonal load under new methodology. 	<ul style="list-style-type: none"> • Corrections to business rules under development; implementation anticipated for 1st quarter of 2003
Generator specific performance tracking data errors	Quantification currently not available	• Being corrected prior to issuance of final bills	<ul style="list-style-type: none"> • Transmission Customers: Potential increase in OATT Schedule 1 balancing energy, losses, & congestion residuals & uplift • Generators: Potential decrease in BPCG due to increased energy revenue 	<ul style="list-style-type: none"> • Generators: Potential increase in balancing energy revenue • Transmission Customers: Potential decrease in OATT Schedule 1 ratio share of uplift due to decreased uplift for affected units from increased energy revenue 	<ul style="list-style-type: none"> •
Two claims made through NYISO dispute resolution process regarding operation of the AMP	Quantification currently not available	• ?	<ul style="list-style-type: none"> • Transmission Customers: Potential increase in OATT Schedule 1 uplift 	<ul style="list-style-type: none"> • Generators: Potential increase in BPCG revenue 	<ul style="list-style-type: none"> •
Min-Gen & Start-up AMP not put into service in June 2003 until 6/27/2003	Quantification currently not available	• June 1 through 27, 2002	<ul style="list-style-type: none"> • Transmission Customers: Potential decrease in OATT Schedule 1 uplift 	<ul style="list-style-type: none"> • Generators: Potential decrease in BPCG revenue from start-up & minimum generation cost recovery 	<ul style="list-style-type: none"> •
HQ proxy bus price error	Quantification currently not available	<ul style="list-style-type: none"> • 8/12/2002 HB19; • 8/26/2002 HB 12; • 10/25/2002 HB 03 – 05; • 11/8/2002 HB 3 – 5 & 8; • 11/29/2002 HB 13 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •
NE proxy bus price error (no losses or congestion)	Quantification currently not available	• 10/14/2002 HB 11 & 12	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •
DAM price incorrect in BAS	Quantification currently not available	• 7/30/2002 HB 9	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •
Incorrect shift factors used for R/T price corrections	Quantification currently not available	• June 1 through 22, 2002	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •
DAM price incorrect in BAS	Quantification currently not available	• 8/29/2002 HB 19 – 21, & 23	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Price corrections for the specified period were not automatically updated in BAS upon re-bill due to time sensitive logic which prohibited changes after normal price correction timeline. • Date sensitivity logic to be re-engineered
Start-up not paid when no DAM or BME schedule	Quantification currently not available	• Under research	<ul style="list-style-type: none"> • Withdrawals may be charged additional Schedule 1 uplift due to increased bid production cost guarantee payments 	<ul style="list-style-type: none"> • Suppliers may realize additional revenue due to increased bid production cost guarantee payments from the inclusion of start-up cost recoveries 	<ul style="list-style-type: none"> • Software design change being engineered
Incorrect r/t prices for 10/3/2002 HB6 & 1/27/2003 HB6	~\$1/MWh	<ul style="list-style-type: none"> • 10/3/2002 HB6 • 1/27/2003 HB6 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Software design change being engineered

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II. Resolved business rule modifications and data corrections pending adjustment

DESCRIPTION	ESTIMATED IMPACT	PERIOD(S) AFFECTED	EXPOSURE	BENEFIT	Status
Over payment of DAM Margin Assurance & Spinning Reserve LOC	~\$20M to be recovered from affected generators through September 2002	<ul style="list-style-type: none"> January 2001 – April 2001 September 2001 - October 2001 January 2002 - June 2002 September 2002 - October 2002 	<ul style="list-style-type: none"> Generators: Any hour in which a unit received DAM Margin Assurance and LOC for spin may be subject to forfeiture of the DAM Margin Assurance credit 	<ul style="list-style-type: none"> Reduction in DAM Contract Balancing OATT Schedule 1 residual adjustments over the affected period 	<ul style="list-style-type: none"> Corrections to business rules implemented on 10/25/2002; Stated Period(s) Affected pending re-billing
Bid Production Cost Guarantees to off-dispatch units dispatched out of merit	Quantification currently not available	<ul style="list-style-type: none"> January 2001 – April 2001 September 2001 - October 2001 January 2002 - June 2002 September 2002 - October 2002 	<ul style="list-style-type: none"> Transmission Customers: Potential increase in Schedule 1 uplift costs for additional BPCG paid to affected units; may increase LRR uplift, also. 	<ul style="list-style-type: none"> Generators: Additional BPCG for any units affected 	<ul style="list-style-type: none"> Corrections to business rules implemented on 11/05/2002; Stated Period(s) Affected pending re-billing
Oracle 9i software bug causing non-payment of start-up costs	Quantification currently not available	<ul style="list-style-type: none"> September 2002, 2001, & 2000 October 2002, 2001, & 2000 May & June 2002 	<ul style="list-style-type: none"> Transmission Customers: Potential increase to Schedule 1 uplift to pay affected units 	<ul style="list-style-type: none"> Generators: Potential increase in BPCG revenue for affected units 	<ul style="list-style-type: none"> Corrective measures made in time to issue correct settlements for months invoiced on December 14, 2002
Regulating unit energy balancing	Anticipated to be <\$3M	<ul style="list-style-type: none"> September 2001 - October 2001 January 2001 - June 2002 September 2002- October 2002 	<ul style="list-style-type: none"> Transmission Customers: Potential increase to Schedule 1 balancing energy, losses, & congestion residuals to pay affected units 	<ul style="list-style-type: none"> Generators: Additional balancing revenue for affected units 	<ul style="list-style-type: none"> Corrections to business rules implemented on 11/05/2002; Stated Period(s) Affected pending re-billing
DAM load bid information not passed to billing system	Quantification currently not available	<ul style="list-style-type: none"> April 2002 - June 2002 September 2002 - October 2002 	<ul style="list-style-type: none"> Transmission Customers: Potential increase to Schedule 1 residuals to credit DAM purchases not properly charged due to this error which caused all load to be purchased in the Balancing Market Transmission Customers: Potential increase to energy costs due to energy being purchased in DAM versus real time 	<ul style="list-style-type: none"> Transmission Customers: Potential decrease to Schedule 1 residuals to credit DAM purchases not properly charged due to this error which caused all load to be purchased in the Balancing Market Transmission Customers: Potential decrease to energy costs due to energy being purchased in DAM versus real time 	<ul style="list-style-type: none"> Corrections to business rules implemented on 10/25/2002; Stated Period(s) Affected pending re-billing
Energy payment limit set to zero	Anticipated to be <\$500K	<ul style="list-style-type: none"> May 2002 	<ul style="list-style-type: none"> Transmission Customers: Potential increase in OATT Schedule 1 balancing energy, losses, & congestion residuals Generators: Potential decrease in BPCG due to increased energy revenue 	<ul style="list-style-type: none"> Generators: Potential increase in balancing energy revenue Transmission Customers: Potential decrease in OATT Schedule 1 ratio share of uplift due to decreased uplift for affected units from increased energy revenue 	<ul style="list-style-type: none"> Corrections to business rules implemented on 10/2002; Stated Period(s) Affected pending re-billing
TCC with incorrect end date	~\$649,000	<ul style="list-style-type: none"> February 2001 – December 2002 	<ul style="list-style-type: none"> TCC holder will be charged for congestion costs 	<ul style="list-style-type: none"> Transmission Owners to receive DAM Congestion Balancing revenue from recovery allocated per MW-mile methodology 	<ul style="list-style-type: none"> Correction deployed on 1/21/2003
Generator incorrectly mitigated	<\$5,000	<ul style="list-style-type: none"> May 14, 2002 	<ul style="list-style-type: none"> Transmission Customers: Potential increase in OATT Schedule 1 uplift Generators: Potential decrease in BPCG due to increased energy revenue 	<ul style="list-style-type: none"> Generators: Potential increase in BPCG 	<ul style="list-style-type: none"> Correction deployed on 11/5/2002
DAM Ancillary bids not mitigated	Quantification currently not available	<ul style="list-style-type: none"> March 13, 2002 	<ul style="list-style-type: none"> Transmission Customers: Potential increase in OATT schedule1 uplift due to decrease in generators' ancillary services margins Generators: Potential decrease in ancillary services availability revenue 	<ul style="list-style-type: none"> Transmission Customers: Potential decrease in OATT ancillary services costs 	<ul style="list-style-type: none"> Correction deployed on 11/5/2002

III. Final Bill Challenges

DESCRIPTION	ESTIMATED IMPACT	PERIOD(S) AFFECTED	EXPOSURE	BENEFIT	Status