

**Comments from Mike Mager on behalf of Multiple Intervenors
Submitted via email to John Buechler, NYISO**

John - Just a few preliminary comments on Section 9: Cost Allocation. Generally, I think it looks very good. Here are some specific comments. We will be consulting with our clients and I may have additional comments tomorrow.

9.1 - Change so it reads: "The costs of market-based responses shall be the responsibility of the developer of the market-based proposal." Although I know we address it elsewhere in the document, I'm also tempted to add: "Market-based responses will be accorded every opportunity to solve the reliability problem."

9.2 - I don't think we have a problem with the NYISO determining cost allocation. However, it may be advisable to add an insert that the NYISO will consult with the PSC, where appropriate.

9.2.3 - Although we probably discussed it, I'm not sure exactly what you mean by "Transmission District." Generally, beneficiaries should be defined as narrowly as possible. For instance, suppose there is a reliability problem in Buffalo on National Grid's system. If the beneficiaries solely are National Grid customers and the solution is PSC jurisdictional, the costs presumably would be recovered in retail rates from all of National Grid's customers (assuming the PSC retains postage stamp delivery rates). However, if the solution is FERC jurisdictional and recovered through ISO rates, it may be more appropriate to recover the costs from Zone A customers only, instead of from customers in all of the zones in which National Grid provides service. Thus, I think Section 9.2.3 should be clarified to limit the scope of "beneficiaries" to the extent practical.

9.2.7 - A sentence should be added indicating that the NYISO will work with the PSC, as necessary, to determine what costs are incremental to those in existing rates.

9.2.8.2 - Modify to read: "Minimizing the use of case-by-case analysis, while adhering to the beneficiary pay approach."

9.2.10 - Modify to read: "Methodology shall be fair and equitable to transmission customers and non-beneficiaries."

In summary, we think your proposal looks very promising. I think most of our comments herein are more in the way of clarifications than major changes. If you want to discuss this e-mail, feel free to give me a call at (518) 320-3409.

Thanks.

Mike Mager

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