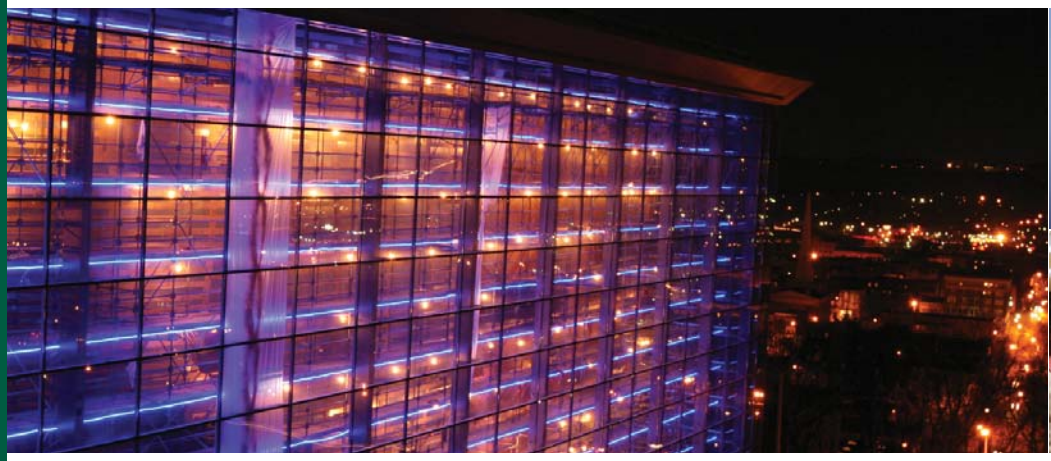
New York Independent System Operator

2007 ANNUAL REPORT

Reliable
Economic
Responsible



NEW YORK INDEPENDENT SYSTEM OPERATOR

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Definitions

Megawatt (MW)
One million watts, or enough electricity to power about 1,000 homes.

Megawatt-hour (MWh)
One million watt-hours: A watt-hour is one watt of power supplied to, or taken from, an electric circuit steadily for 1 hour.

Peak Demand
The most electricity demanded of the system over an hourly period. In New York, peak demand is generally reached after a buildup of hot summer days when air conditioning is in full use. Electric generation is built to satisfy peak demand plus a safety margin reserve; demand response programs help shave peak demand.

Photo and Illustration Acknowledgements

Rensselaer Polytechnic Institute (Kris Qua) – Photo of Experimental Media and Performing Arts Center – Front Cover
General Electric – Photo of wind turbine – Front Cover/Photo of Fenner Wind Farm – Page 2/Photo of wind turbine – Page 22
IRC - ISO/RTO Map – Page 6
Office of the Governor of the State of New York – Photo of Renewable Energy Task Force – Page 21

Fast Facts about the NYISO

Ultimate customers served
19.3 million people in New York State
Thousands of vital businesses and organizations, including world centers for commerce, culture, education, science and health care

Generating units dispatched
Over 335

High voltage transmission
Nearly 11,000 circuit miles of wires

Market Participants
Approximately 340 parties that make, move, buy, sell, or use electricity
Includes transmission owners, generation owners, other suppliers, end-use consumers, public power and environmental parties

2007 market transactions
$9.5 billion

Market transactions since NYISO inception
$59.2 billion

2007 electric load managed
167,341 GWh

2007 peak demand
32,169 MW

Record peak demand
33,939 MW set on August 2, 2006

2007 NYISO Demand Response Program total
1810 MW *(equal to four major power plants)*

2007 required installed capacity
38,966 MW

Savings to consumers as a result of NYISO operations
"hundreds of millions" of dollars


SPACE
RESERVED
FOR
Budweiser
Panasonic

From the Chair of the Board

Karen Antion

Dear NYISO Stakeholders:

The NYISO never rests. When a family shares a meal in air-conditioned comfort on a sweltering summer day, the NYISO is there. When a business decides to relocate or expand in New York, we're there. When a visiting soldier marvels at New York City's iconic skyline and the bright lights of Broadway, we're there. And when a farmer installs a windmill to supplement his power supply and cut costs, we're there.

The vital predicate for all of these activities is a reliable and responsive electricity grid. A key part of the NYISO's mission is effective operation of the grid. It's a serious and complex challenge, and we work to meet it 24 hours a day, every day of the year. We interact daily with power producers, transmission owners, large power users and others. But we never forget who our ultimate customers are — the family, the business, the soldier, and the farmer.

They inform our decisions and actions as we fulfill another aspect of our mission — administering the wholesale electricity markets in New York State. The execution is intricate, but the bottom line is simple: we serve as the fair, impartial administrator that maintains open, competitive access to the markets and monitors power trading transactions, thereby enabling the competitive marketplace to provide power at the lowest possible cost.

Our shared governance process, which engages market participants and other stakeholders, is a foundation of our success. The Federal Energy Regulatory Commission recently recognized the value of the NYISO's collaborative way of working, commenting, "The Commission commends NYISO and the stakeholders for working together to resolve many issues."

We have three watchwords in our business: reliable, economic, and responsible.

On the reliability front in 2007, we dispatched the state's more than 335 generating units and nearly 11,000 circuit miles of transmission lines. We satisfied a record annual consumption of electric energy by New Yorkers, met the summer's peak load, and continued to increase participation in our Demand Response Programs. Under these programs, energy-saving actions by participants help us "shave" — or decrease — peak load. This benefits all consumers, and helps avoid the need for costly, additional generation.

We received good news in the "economic" category. A 2007 cost-benefit analysis of the NYISO by the Analysis Group showed that since we began operations in 1999, our activities have saved market participants and consumers "hundreds of millions of dollars."

From 1999, when the NYISO's markets began, through the end of 2007, wholesale electricity transactions have totaled nearly $60 billion. Managing markets of that size in a state as diverse and demanding as New York is a significant responsibility, and we take it very seriously. We're concerned not just with the needs of today's consumers, but tomorrow's, as well. We conduct a planning process that assesses the state's electricity needs over a 10-year horizon, and evaluates the feasibility of proposed projects to meet those needs. Environmental responsibility plays an important role in this process, including the consideration of renewable energy resources. We've approved the feasibility of some 50 wind generation projects proposed for New York State, including how they would connect to the overall electricity grid. We're taking steps to integrate renewable resources, including a sophisticated centralized forecasting system for wind power in New York State.

Many outside evaluators have praised how we do what we do, ranging from our "best in the nation" market software to the efficiency of our power dispatch operations. Visitors from more than 50 nations interested in electricity markets and system reliability have visited us to learn from our experience. An audit in December 2007 of our compliance with reliability standards implemented by North American Electric Reliability Corporation earlier in 2007 concluded that the "NYISO is doing an outstanding job."

Notwithstanding the welcome commendations, we are constantly seeking to improve. We have been developing a culture of excellence within the NYISO with a goal of flawless execution of every process.

Our pursuit of excellence produces positive results for the electricity grid and marketplace. Sophisticated information technology systems underlie their successful operations, and we are continually seeking to make our systems even better. In the marketplace, we deployed more than 70 software enhancements in 2007, and more are planned for 2008 and beyond. Through constant improvement, we intend to remain "the best" in this area, and give our customers every benefit of the latest technologies to enhance visibility, timeliness, and accuracy in a cost-efficient manner.

Part of being responsible involves sharing our knowledge and perspective with policymakers and others who seek to benefit consumers through informed decision-making. The NYISO is uniquely positioned to serve as an unbiased authoritative voice on matters involving energy, the environment, and the economy, and we have stepped up our efforts to share information and perspective with decision makers.

Another hallmark of responsibility involves helping our customers – and our ultimate customers – save energy and money. We do this through our Demand Response Programs and through advanced technologies supporting the transparency of our markets. Energy management systems, advanced metering, and other measures can communicate the markets' frequently updated pricing to signal the best times for electricity use or reduction.

Financially responsible budgeting and cost-controls are a fundamental obligation of the NYISO. We have addressed that responsibility in close collaboration with our market participants and we have consistently met budget targets. In 2007, the NYISO Board approved a 2008 budget with a $3.4 million decrease

from 2007, reducing the NYISO's cost-of-operations surcharge paid by market participants to the lowest per megawatt-hour rate since 2004.

Looking forward, we have developed many key strategic initiatives to remain a leader in reliability and a leader in market design and performance over the next five years.

On the reliability front, they include championing interregional planning initiatives, and initiating studies on market conditions in adjacent regions that could affect reliability in New York. We'll also continue to refine and enhance our comprehensive planning process to support reliability and resource adequacy in New York and facilitate the implementation of solutions to these needs. We will be enhancing the security of critical infrastructure (both information technology and physical assets) and monitoring fuel mix in the generation fleet and assess the adequacy of fuel diversity to maintain reliability.

In order to attract the necessary investment in infrastructure through market design and performance, we'll be exploring the development of longer term mechanisms to provide sustained price certainty and evolve the financial transmission rights market. We plan to increase the NYISO's compatibility with neighboring regional markets, and step up our actions to accommodate the market entry of new technologies (including demand-side resources and clean, renewable energy projects).

Our dedicated employees, our market participants and our Board of Directors play key roles in the NYISO's accomplishments — past and future. Our Board is a diverse group of accomplished individuals who have broad experience in the electric industry, environmental conservation, finance, academia, technology, and communications. In late 2007, we were deeply saddened by the death of Peter A. A. Berle, who served as Vice Chair and headed the Board's Governance Committee (see tribute, inside back cover.) In January 2008, we welcomed to the Board, James V. Mahoney, whose career in the energy industry has spanned more than three decades.

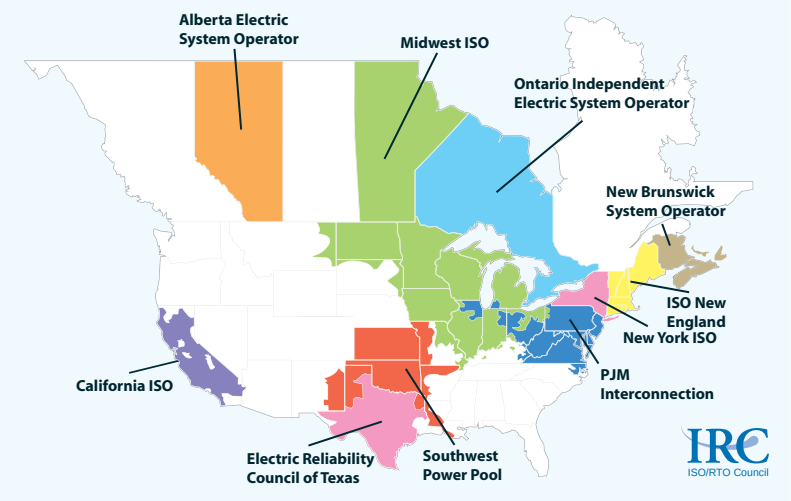
Our information technology systems are sophisticated and we operate in a complex environment of diverse market participants, generating units and transmission facilities, with programs and engineering analyses that contain the alphabet soup of acronyms that characterize the energy industry. On a daily basis, we cut through that complexity to responsibly serve our ultimate customers — New York's 19.3 million people and thousands of vital businesses and organizations, including world centers for commerce, culture, education, and health care. Building on what we accomplished in 2007, we'll keep striving for new levels of excellence in 2008 and beyond.

Karen Antion
Chair of the NYISO Board

Who We Are and What We Do

History

The New York Independent System Operator (NYISO) is a not-for-profit corporation regulated by the Federal Energy Regulatory Commission (FERC). We were formed in 1997 as a major component of New York State's historic and extensive restructuring of the electricity industry to provide open access to the transmission system and create competitive wholesale electricity markets in the state, and began operations in 1999.



Ten Independent System Operators (ISOs) and Regional Transmission Organizations (RTOs) operate in the U.S. and Canada, covering two thirds of U.S. consumers and half of Canada's. The NYISO's control area is among the most complex and diverse in North America, serving New York City, situated at the hub of the Northeast metropolitan corridor, and interconnecting with four major regional control areas.

Key Roles

The NYISO has four key roles.

One, we manage New York's bulk electricity grid, consisting of hundreds of generating units and thousands of miles of high-voltage transmission lines, to assure that the grid operates in the most reliable and efficient manner possible. We administer fair and open access to the grid by all qualified suppliers of electricity.

Two, we run the wholesale electricity marketplace that functions like a commodities exchange with participation by buyers and sellers and competitive bidding for supplies of electricity. The efficiencies attained through our market design have produced substantial savings for New York consumers.

Three, we conduct long-term reliability planning to evaluate what consumer demand will be going forward, and help verify that adequate supplies will be in place to meet their needs in a reliable and efficient manner.

Four, we leverage our unbiased, impartial position and unique knowledge and perspective to serve as an authoritative source of information on key energy issues for policymakers and others who are charged with decision-making on behalf of consumers.

Energizing the Empire State

The nerve center of New York State's electricity system is a huge control room near NYISO headquarters outside Albany. The state's 335 generating units and nearly 11,000 miles of transmission lines are represented on a wall-sized map encircling the room. Banks of computers continually feed up-to-the-second information about the status of generation and transmission, for the New York area and for neighboring electricity grids, which are also depicted on the wall map. New York's grid is part of a much larger, interconnected system that extends from Canada to Florida and from the Atlantic Ocean to the Rockies. The NYISO is in constant contact with other power grids to monitor the flow of electricity, buy and sell electricity to meet consumers' demands, and facilitate wholesale electric schedules and transactions.

Conditions on New York's grid are constantly monitored around the clock, 365 days a year. Sophisticated information technology (IT) systems help grid operators detect any problems or damage (called contingencies or faults) on the system, and they respond

immediately. Contingency analyses are run continually to anticipate potential changes on the system and point to the remedy.

The NYISO's grid operators are expert at what they do, and they continuously upgrade their training every six weeks with everything from classroom courses to crisis drills.

The goal at all times is to maintain a reliable, efficient bulk electric system that provides power to all those who require it, when they require it, without fail.

A December 2007 audit, conducted by the Northeast Power Coordinating Council, concluded that "the NYISO is doing an outstanding job" in meeting the federal reliability standards implemented earlier in the year.

Markets Meet New York's Needs

Electricity used by New York's consumers is bought and sold in the competitive wholesale electricity markets administered by the NYISO, which serves as the electricity broker for New York State. We conduct auctions in which companies serving retail customers bid to purchase and suppliers offer to sell electricity. Approximately 340 entities are active in these markets. The gross revenues of market transactions were $9.5 billion in 2007; market revenues since the inception of the NYISO total $59.2 billion.

The principles of supply and demand govern these fair and open markets, and the goal is to provide power to New York at any given time at the most transparent, timely and accurate market price.

The grid is operated to provide reliable supply even if there is a loss of a line or the system is constrained by physical limitations of transmission lines. Security Constrained Economic Dispatch (SCED) provides for the most efficient set of resources to be used

in meeting reliability criteria in a congested bulk power system. FERC defines SCED as "the operation of generation facilities to produce energy at the lowest cost to reliably serve consumers, recognizing any operational limits of generation and transmission facilities."

To implement SCED, the NYISO runs two principal energy markets — Day-Ahead and Real-Time — and ancillary markets for capacity, reserves and other services critical to maintaining quality of service. Electricity prices in the Real-Time market are calculated every five minutes; in the Day-Ahead market, they're calculated hourly.

Most of the marketplace's electricity is bought and sold in the Day-Ahead market. Each morning by 5 a.m., we accept offers from generators that expect to have electricity to sell the following day. We also record bids to buy from utilities and other retailers purchasing energy to meet their customers' next day needs. After sorting the offers according to price, lowest to highest, we develop a schedule by 11 a.m., selecting supply offers in order until all demands (purchase requests) are met with sufficient supply to maintain system reliability.

The Real-Time market functions like a spot market, and recognizes that the day-ahead usage forecasts can be less than 100% accurate, and unplanned contingencies — like power plant outages — do occur. This market allows buyers and sellers to make up any differences that occur in real time.

Many observers and analysts have credited our state-of-the-art IT systems, an investment decision made early-on by the NYISO, and our market design as being among the most advanced anywhere; making accurate and timely information visible to buyers and sellers. We work hard to maintain the best systems in a cost-effective manner: We deployed more than 70 software enhancements

into the markets in 2007, increasing the visibility, timeliness, and accuracy of information for market participants. Last year's "State of the Market" report on New York's electricity markets said that the "NYISO now operates the most complete and efficient set of electricity markets in the U.S."

Oversight of NYISO Market Activities

The NYISO is closely regulated by the FERC and is subject to regulation by the New York State Public Service Commission (PSC). We are also subject to the rigorous oversight of the North American Electric Reliability Corporation (NERC) which serves as the federally designated Electric Reliability Organization (ERO), the Northeast Power Coordinating Council (NPCC), and the New York State Reliability Council (NYSRC). To meet these extensive regulatory responsibilities, the NYISO has a number of controls in place to confirm that we're doing our jobs as efficiently and effectively as possible.

In the wholesale electricity markets, our Market Monitoring Unit and Independent Market Advisor provide independent, impartial, and effective oversight of issues such as:

- The competitive structure, performance and economic efficiency of the wholesale electricity markets
- The conduct of market participants, including any attempt to "game the system" or restrain competition.

Through these controls, the NYISO maintains fair access to the bulk electric power market for market participants, making it competitive for generation offers and bids from load. Fair access also works to provide price, supply and demand signals that are clear and timely so market participants can make informed decisions based on those signals.

In every action, on the electric grid and in the wholesale marketplace, we are working to satisfy these goals:

- provide a reliable and secure supply of electricity at the lowest possible production cost;
- keep the electricity marketplace disciplined, competitive and efficient;
- provide appropriate market signals for continued investment in New York's power system;
- develop flexible plans to maintain adequate supplies in the future and to encourage new technologies and the efficient evolution of the system.

A Model ISO

A reliable energy supply is increasingly crucial to rapidly industrializing nations, and many countries are considering opening their electricity markets to competition. Organizations and individuals from across the globe, seeking to learn about reliable operation of bulk electricity grids and administration of wholesale electricity markets, are viewing the NYISO as a model. More than 900 representatives from 53 nations have visited the NYISO since 1999. In 2007, the NYISO hosted 115 international visitors from 26 countries. The Directors General for Energy of the European Union invited the NYISO to discuss New York's restructured electricity industry at a meeting of its 27 member nations in November 2007.

Reliable

The reliability of the bulk electricity grid is at the core of what we do.

It provides the foundation for millions of actions carried out daily by New York residents and businesses — from the baker in Brooklyn who counts on overnight power to produce bread, to the Wall Street centers of finance that rely on 24-hour a day electricity to carry out billions of dollars in transactions, to the student in Syracuse using a computer to finish a lengthy term paper.

It's important for economic growth, as well. Industry and commerce consume 58% of the electricity in New York State. A reliable supply of electricity is a vital, baseline consideration for businesses looking to relocate or expand here, to heat and cool their buildings, power their electronic operations, and light their facilities.

A Record Year for Electricity Use

In 2007, consumers and businesses in New York State used more electricity than ever before, setting a new annual record of 167,341 GWh. The NYISO made sure there were adequate supplies of electricity year-round to safely and reliably meet their needs.

The summer of 2007 saw a lower hourly peak demand — 32,169 MW — than the record peak of 33,939 MW experienced during the sweltering summer of 2006. Again, the bulk electricity system met the peak without problem.

Meeting Tomorrow's Needs

We work to maintain the reliability of the bulk electricity grid on a daily basis, but another important part of our mission is to look at future reliability.

We conduct a comprehensive reliability planning process that looks out over a ten-year horizon and involves collaborative efforts by many parties who have an interest in the New York electricity system — as both suppliers and consumers.

In the first step of this process, the Reliability Needs Assessment (RNA), we analyze anticipated electric demand and the resources available to meet it. Expected shortfalls are identified long before they become reliability problems.

We then solicit proposals for resources to close the gap. All resources are eligible — generation, transmission and demand response resources. Market-based solutions take priority over traditional regulated resources proposed by utilities, which are offered as "backstop" solutions in case the market-based ones fall short of providing adequate capacity. We also coordinate NYISO reliability assessments with neighboring control areas.

In the second part of the process, which produces the Comprehensive Reliability Plan (CRP), the NYISO evaluates the viability of the proposed solutions and presents a plan for maintaining reliability for the next ten years. The evaluation looks at the technical feasibility of interconnecting proposed solutions to the grid and their overall impact on grid reliability. While we evaluate the feasibility of these projects relative to the statewide electric grid, we do not determine which of the proposed solutions will be built. Those decisions are made by the developers submitting the proposals, and government siting and permitting agencies.

The 2007 Comprehensive Reliability Planning Process concluded that planned upgrades to existing facilities and market-based solutions would sustain the reliability of New York's bulk electricity grid through the year 2016.

Initially, the RNA found that generation and transmission resources on New York's bulk electricity grid were expected to be adequate through 2010. At that point, reliability needs would become critical in the state's southeast region (New York City, Long Island and the lower Hudson Valley.) The RNA determined that, based on projected growth in electricity consumption, statewide reliability needs would increase from 2012 through 2016.

The eight market-based resource proposals submitted in response to this assessment, together with updated utility plans, were evaluated by the NYISO and were found to be more than adequate to meet needs through 2016, thus avoiding the need to call for "backstop" regulated solutions. These proposals include projects that will address locations where the needs and demand are greatest, including a 500 MW repowering at Astoria and several proposals to bring firm capacity from New Jersey into Manhattan via controllable transmission facilities.

The NYISO's planning process thus far has successfully identified resource needs for reliability purposes and the market has responded with project proposals to meet those needs. Currently, more than 3,000 MW of market-based projects submitted during the NYISO's first two planning process cycles are moving forward on schedule. With the release of the 2008 RNA in December 2007, the NYISO entered its third planning cycle.

All of the efforts that go into this complex planning process are aimed at assuring that ultimate customers — consumers and businesses — will have an adequate and reliable supply of electricity when, where and for how long they need it.

"Hundreds of Millions of Dollars" Saved

An array of rigorous studies and industry experts agree that the competitive wholesale electricity markets run by the NYISO have enhanced the economic efficiency of New York's electric system.

The average retail electric bill has not declined. Unprecedented spikes in the cost of oil and natural gas, the fuels upon which most of New York's electric generation depend, have pushed electricity costs higher. But consumer bills would be higher if not for the benefits of efficiently administered wholesale electricity competition.

A March 2007 report, *A Cost-Benefit Analysis of the New York Independent System Operator: The Initial Years,* prepared by the Analysis Group, found that the savings from NYISO-administered markets since their inception are in the "hundreds of millions of dollars," and estimated consumer benefits in the range of $100-$200 million a year.

A November 2006 study, *Analysis of the Impact of Coordinated Electricity Markets on Consumer Electricity Charges*, by LECG, a global expert services firm, reported: "… the average rates of public utilities have risen less than they would otherwise have in both the gas dependent and non-gas dependent regions of the NYISO and PJM. The estimated reductions in average rates resulting from implementation of coordinated markets in the mid-Atlantic region over the 1998-2004 period range from $.50 to $1.80 per megawatt hour."

In July 2007 the NYISO's Independent Market Advisor, Dr. David B. Patton, released his *2006 State of the Market Report: New York ISO*, which called New York's markets "the most complete and efficient set of markets in the U.S." His analysis reported that in 2006, electricity prices decreased 20 to 30 percent in the markets operated by the NYISO, and attributed the decline to lower fuel costs, generator

additions within transmission-constrained locations within New York City, lower average load levels (despite a record summer peak), and continued improvements to the NYISO markets.

Competitive Markets Increase Plant Availability, Producing Consumer Savings

Looking to increase their competitiveness in the wholesale markets, power plant operators in New York State have greatly increased the efficiency and availability of their generating units, which benefits all consumers.

Nuclear energy output increased 11%, and fossil fuel-run generating units have dramatically reduced their rates of forced outages. Overall, power plant availability increased from 86% in 1999 to 96% in 2006, providing power equivalent to adding three new medium-sized power plants. Improved plant availability brings economic benefits to consumers by avoiding the need to employ costlier generation.

The improved availability of the state's fleet of power plants as well as improvements in transmission capability and availability have led to a steady reduction of the Installed Reserve Margin ("IRM") since the NYISO began operations. In 2000, the New York State Reliability Council reduced the IRM from 22% to 18%. In 2006, the IRM was lowered to 16.5%. At the end of 2007, the NYSRC moved to reduce the IRM to 15%. The FERC and the PSC approved the change in 2008. The reduction means that less reserve capacity must be available to cover shortfalls.

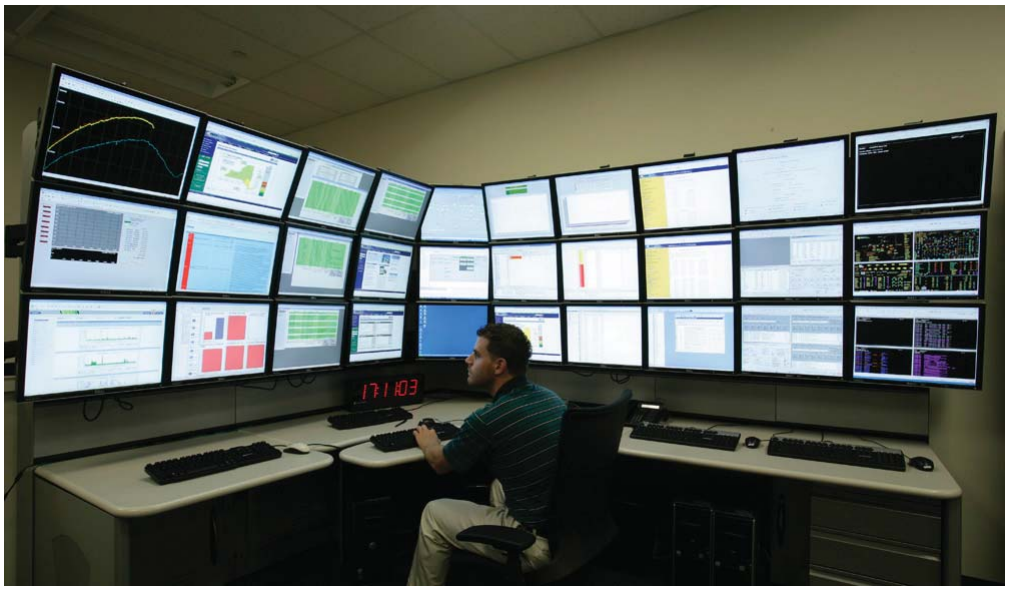
NYISO Technologies Increase Efficiency and Cost-Effectiveness

NYISO operations must be up and running around the clock. This calls for systems that provide a continuous flow of information related to generation and transmission status — so that the NYISO can anticipate problems and respond instantly to a change in conditions

— as well as continually updated information about the wholesale electricity markets, on a real-time and day-ahead basis.

Our advanced computer platform produces more and better information about the generation and transmission of electricity, allowing our sophisticated software to look further ahead in time and make more informed, accurate and economical dispatching decisions.

On the market side, an interactive, user-friendly Data Warehouse gives market participants reliable access to a variety of data, including critical information about pricing and settlements. Another market information system provides market participants with real-time information about both the grid and wholesale electricity markets. Systems like these enable participants to make economical, informed, and timely decisions. We deployed more than 70 software enhancements into the marketplace in 2007, without disrupting operations. More improvements will be implemented in 2008, including products that enhance every area of the NYISO's functional operations: energy markets, finance systems, business intelligence, transmission congestion contract markets, billing, auxiliary markets, infrastructure, and operations and reliability.



Our systems are considered to be — and must be — best in class. The information they provide is viewed and analyzed by the NYISO's Market Monitoring Unit, our Independent Market Advisor, regulatory

agencies, and approximately 340 participants in the energy marketplace, including suppliers, transmission owners, wholesale consumers, and traders.

We continually look for cost-effective ways to improve our systems, focusing on timeliness, accuracy and other criteria that give participants better visibility and better information for decision-making. In 2007, for example, we made software and process changes that further improved the accuracy and transparency of electricity prices. Correctly calculated prices are essential to the wholesale electricity markets. Market participants rely on those prices as a basis for buying and selling electricity. With these improvements, price corrections dropped dramatically in 2007. We also introduced enhancements that reduced the average time to resolve customer inquiries by 67%.

Demand Response Saves Energy, Controls Costs

The electric system of generation and transmission resources is built to satisfy peak demand, plus a safety reserve margin. Peak demand is measured hourly in megawatts, and it's the highest amount of electricity consumers demand of the system statewide; usually on a hot and humid summer day when air conditioning use is greatest.

Demand response uses energy curtailment measures to reduce electricity use to "shave" the peak. These resources enable more flexibility in the operation of the electric grid and in the electricity markets. When called upon to do so by the NYISO during periods of high demand, demand response customers curtail their electricity use through measures like reducing air conditioning use, using on-site generators, or shifting their production schedules. They save money and serve the environment, since they help avoid the need to bring older, less efficient, more polluting generating units online to increase the supply of electricity. As the saying goes, "The cheapest, greenest megawatt is the one that's never used."

In New York and across the nation, demand response is becoming a vital part of the answer to rising electricity demand, increasing fuel prices, and concerns over global warming. Competitive markets provide the incentives to encourage demand side measures and a means to calculate their effectiveness.

The NYISO offers several demand response programs, and the megawatt total of these programs has increased ten-fold since 2001. We pay customers to participate, but the cost is more than made up by the reduction in demand for electricity, which eases the pressure on prices and improves system reliability.

More than 2,500 customers participate in our Demand Response Programs. Eligible users include large manufacturing facilities, educational institutions, and multi-family apartment complexes. Many demand response providers are "aggregators," who pool the electricity reduction resources of smaller customers — such as office buildings and commercial businesses — so that they, too, can contribute to the program and realize savings.

Demand response measures like these played a major role when the statewide electric grid experienced its all-time record peak demand in August 2006. They "shaved" more than 1,000 MW off the peak.

These resources play a market role, as well as a reliability role. Cutting peak demand helps stabilize wholesale markets. An example of this is our Demand Response Program offered to customers using the day-ahead market. It is a customer-initiated economic bidding program under which participants offer their load reduction — just like generating capacity — into the wholesale market a day in advance.

We have worked with our market participants, state and federal governments and others to develop what many regard as the most advanced markets for demand resources in the U.S., and we are expanding our programs. A "targeted demand response" program

designed by the NYISO in conjunction with Consolidated Edison (Con Ed) and the New York State Public Service Commission (PSC) is targeted to reduce demand in specific, sensitive areas of New York City when electricity use is nearing capacity. The program enables Con Ed to request electricity reduction measures by selected program participants to accommodate localized power supply situations. The program was activated twice in the summer of 2007.

With all of these measures — from sophisticated computer systems to higher plant availability to Demand Response Programs — we keep the pocketbooks of our ultimate consumers uppermost in mind.

Cost-Effective Operation of the NYISO

The NYISO continues to be exceptionally attentive to financially responsible operation. We recover operating expenses through a surcharge assessed to market participants, who play an active role in our governance. In 2003, the NYISO agreed to produce annual budgets within targets set by market participants for the five-year period 2004-2008. NYISO budgets have consistently met those targets.

In 2007, the NYISO Board approved a 2008 budget with a $3.4 million decrease from 2007, reducing the revenue requirements of the surcharge to the lowest per megawatt-hour rate since 2004.

With regard to debt, we are rigorously attentive to financing costs and practice prudent restraint in our levels of borrowing.

The NYISO is continuing to cut its levels of outstanding debt, reducing annual financing, shortening the length of repayments, and using available funds to repay debt.

Business and Job Creation Prompted by Electricity Markets

Open access to the grid eases the entry of renewable energy projects, new energy technologies, and demand response programs.

Investments by companies which are developing power projects and providing energy services help to keep and create jobs in New York State.

A report by the New York State Renewable Energy Task Force, chaired by then-Lieutenant Governor David A. Paterson, noted the particular economic development benefits of investments in renewable energy, stating: "There are two main reasons why renewable energy technologies offer an economic advantage: (1) they are labor-intensive, so they generally create more jobs per dollar invested than conventional electricity generation technologies, and (2) they use primarily indigenous resources, so most of the energy dollars can be kept at home."

In 2007, GE Energy announced the expansion of its Renewables Global Headquarters in Schenectady, N.Y., opening a new Wind Product Management and Customer Support Center to support rapid growth of its wind business. The company said the move would add 150 professional jobs. Horizon Wind Energy, a Houston-based developer that operates two wind farms in New York and is developing more, expanded its Northeast headquarters in Albany in 2007 and announced the purchase of 201 wind turbines from GE.

The creation and development of demand response programs has prompted the establishment or expansion of an array of businesses. Energy Curtailment Specialists (ECS), based in Buffalo, began as a two-person business in 2001. ECS has grown to become a prominent provider of demand response services in the New York market, with more than 80 employees. Similar growth, in New York and other organized electricity markets, is occurring among other energy services companies (ESCOs).

Responsible

We strive to be a responsible organization — and responsible citizens — in everything we do and how we do it. From our evaluation of proposed power projects, to our support of energy efficiency and demand response programs, to internal programs to foster excellence and reduce our own electricity use, "responsible" is our watchword.

Open Access to Electric Grid Fosters Renewable, Innovative Resources

The NYISO actively supports the development of renewable energy resources. Under competition, open access to the electric grid has facilitated the introduction and expansion of such projects in New York.

By the end of 2007, there were five commercial wind power projects totaling 391 MW in operation. Based on the pace of wind energy proposals submitted, wind can be expected to become an increasingly important resource in the years to come.

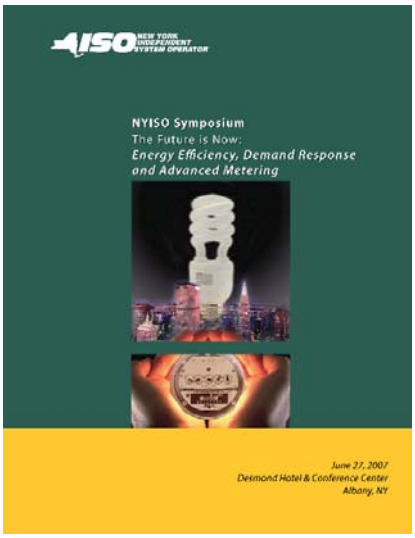
Open access to the grid has sparked the development of wind generation projects in the state. Any developer wishing to connect to New York's transmission grid must apply through the NYISO, which evaluates the impact on the electric grid according to mandatory reliability standards. Currently, almost 7,000 MW of wind generation projects are proceeding through the NYISO's interconnection process. Since wind is an "intermittent" resource – wind doesn't blow all the time – the NYISO is conducting detailed analyses to determine how best to accommodate such large increases in wind energy while maintaining the reliability of the bulk electric system.

The NYISO is taking several steps to address the challenge of integrating wind resources effectively. We are working to make sure that market rules recognize the intermittent nature of wind power. We have announced a centralized forecasting system for wind power in New York State. Forecasts, both day-ahead and real-

time, will be supplied to the NYISO by a service provider for all wind generators in the New York Control Area. Wind generators will have access to their individual forecasts, and we will incorporate each forecast into our market software. The forecasts will make it easier for the NYISO to gauge how much wind power will be available on the bulk electricity grid throughout a given day, reducing the possibility of unanticipated power gaps.

Through its planning and analysis, the NYISO supports other innovative technology solutions. In 2007, we assumed responsibility for the interconnection of small generator projects – those that are 20 MW or less in size. Currently, there are 19 such projects in the NYISO queue, ranging in size from 2 MW to 20 MW. Many are landfill gas (methane) to electricity projects; other small projects include generators powered by wind, water, and wood chips.

Energy Efficiency



We support many initiatives and regulatory proceedings to increase energy efficiency, reduce the demand for electricity, and ease environmental impacts.

In 2007, we sponsored a symposium, attended by more than 200 participants, entitled "The Future is Now: Energy Efficiency, Demand Response and Advanced Metering."

We are providing technical support to New York State agencies in their efforts to meet the goals of a "15 X 15" Clean Energy Strategy, which seeks to achieve a 15% reduction from forecasted levels of electricity use by the year 2015.

The NYISO is actively involved in supporting the Public Service Commission's Renewable Portfolio Standard, under which 25% of the state's electricity must come from renewable sources – including hydroelectric and wind energy – by the year 2013.

In our own operations, we are encouraging energy savings and environmental awareness through our "WattWise" workplace energy efficiency initiative and energy audits of all our facilities. Our "GoGreen" efforts include company-wide recycling and the use of environmentally sound products.

Excellence in Execution

We're fostering a culture of excellence in execution, which promotes and strives for flawless performance in all that we do and engenders customer confidence in our markets and operations.

One component of this effort has been the implementation of Lean Six Sigma methodologies, which are in practice at many of the world's top-performing companies. Managed by teams of employees, Lean Six Sigma breaks down a process into its component parts and examines each for waste, duplication or other inefficiencies. We've had many successes. One team reduced the cycle time required to adjust the fuel indexing of reference prices for the wholesale market. Another reduced the quantity of price corrections through a change in operational procedures.

The NYISO as an Authoritative Source

Part of being responsible involves sharing our knowledge with people considering important energy issues, now and for the future.

The NYISO is uniquely positioned to serve as an unbiased, authoritative source of information and perspective on the electricity grid, the wholesale electricity markets, and related issues involving the environment and the economy. We participate in many proceedings, symposia, and conferences on these issues. We share our knowledge and experience with policymakers and others through reports, reviews, and analyses, including *Power Trends*, our annual analysis of the forces and

factors influencing the future of New York's bulk electricity grid and its competitive wholesale electricity markets.

We are in the process of expanding the capabilities of both our system planning and strategic planning groups to perform an expanded array of system and market impact analyses, as well as to prepare research and scenario planning "white papers" to inform policymakers of the potential impacts of environmental, energy efficiency and renewables-related policy initiatives.

Shared Governance

The NYISO's independence and shared governance process are keystones of its corporate responsibility. All NYISO Board members and employees are independent, with no business, financial, operating, or other direct relationship to any market participant.

A ten-member independent Board of Directors and three decision-making committees comprised of electricity market participants and other stakeholders each have important and distinct roles to play in the design and evolution of New York's electric markets and the development of improvements to our market rules which result in filings with FERC proposing changes to the NYISO's tariffs.

The NYISO's stakeholder committees are comprised of representatives of market sectors that include Transmission Owners, Generation Owners, Other Suppliers, End-Use Consumers, and Public Power & Environmental Parties.

More than 20 specialized working groups and task forces collaborate with NYISO staff on enhancing, streamlining, and changing market design and rules. When at least 58 percent of stakeholders — and the Board of Directors — agree upon a new approach to the markets, a joint request is submitted to the FERC to allow the NYISO to put the new plan into practice.

In a recent order relating to ICAP Demand Curves, the Federal Energy Regulatory Commission lauded the collaborative results of the NYISO's shared governance system, stating: "The Commission commends NYISO and the stakeholders for working together to resolve many issues … the proposal represents a reasonable compromise between the parties' interests in a proceeding that was contentious, with a number of parties holding divergent views."

Benefits of Competition

Throughout this report, we have cited various important benefits which competition in the wholesale markets has brought to consumers. For ease of reference, the major ones are summarized here.

New generation is being built where it's most needed

The markets administered by the NYISO have resulted in the development of 6,200 MW of new electricity power sources. Of that new capacity, more than 90 percent is sited where demand is greatest — in New York City, on Long Island and in the lower Hudson Valley — addressing the state's most critical electricity resource needs. Transmission, too, has been enhanced — about 990 MW of transmission projects have been added which have significantly expanded our interconnections to neighboring markets.

Improved generator availability – existing plants are running better

Solid market design, readily available and accurate information, and efficient market operations have provided economic incentives that have increased power plant availability significantly. The increased output from existing plants is equivalent to adding three medium-sized power plants.

The improved availability of power plants — and increases in transmission capability and availability — has also led to reductions in the Installed Reserve Margin (IRM), the amount of installed electric generation capacity above 100 percent of the forecasted peak electric consumption that is required to meet New York State Reliability Council resource adequacy criteria. A lower IRM means that electricity providers can purchase less capacity, potentially reflected in savings to their customers, while maintaining the same level of system reliability.

"Greening the Grid"

Open, non-discriminatory access to the grid has fostered vastly increased proposals for renewable sources of electricity in New York. The NYISO's application pipeline contains about 100 renewable energy projects, totaling over 7,000 MW, with the majority being wind-driven generators.

Innovative Demand Response

The marketplace has helped the NYISO develop one of the most advanced demand response programs in the nation. The participation in these programs has grown ten-fold. They contributed significantly to peak load reduction in the "record" year of 2006, with associated economic and environmental benefits.

Board of Directors - 2007

Board of Directors (left to right - standing)

Richard J. Grossi
Former Chairman and CEO of United Illuminating, a Connecticut utility, and past Chairman of the North American Electric Reliability Council.

Erland E. Kailbourne
Chairman of the Board of Financial Institutions, Inc. and its subsidiary Five Star Bank.

Mark S. Lynch, President and CEO - NYISO

Richard E. Schuler
Professor of Economics and Civil/Environmental Engineering at Cornell University and former New York State Public Service Commissioner and Deputy Chairman.

Karen Antion, Board Chair
President of Karen Antion Consulting, LLC and former Senior IT Executive at Oracle Corporation and the Port Authority of New York and New Jersey.

Alfred F. Boschulte
President of AFB Consulting, specializing in strategic planning and operating margin improvements for telecommunications firms.

(left to right - seated)

Harold N. Scherer, Jr.
Former President and COO of the Commonwealth Electric Company of Massachusetts.

Robert A. Hiney
Former Executive Vice President for Power Generation of the New York Power Authority (NYPA).

Thomas F. Ryan, Jr.
Former President and COO of the American Stock Exchange.

Peter A.A. Berle, Vice Chair
Former Commissioner of the NYS Department of Environmental Conservation and President and CEO of the National Audubon Society.

Corporate Officers - 2007

Mark S. Lynch
President and CEO

Robert E. Fernandez
General Counsel

Garry A. Brown
Vice President
External Affairs

Rick Gonzales
Vice President
Operations

S. Kennedy Fell
Vice President
Chief Information Officer

Rana Mukerji
Vice President
Market Structures

Charles N. Garber
Vice President
Chief Financial Officer

Thomas J. Lynch
Vice President
Human Resources

Management Certification Note – First Quarter 2008 Change in Corporate Officers

The tenure of Mark Lynch, as President and Chief Executive Officer, and the tenure of Charles Garber, as Vice President and Chief Financial Officer, ended on February 29, 2008.

Board Chair Karen Antion began serving as interim Chief Executive Officer and Mary McGarvey began serving as Vice President and Chief Financial Officer on March 1, 2008.

Management Certification

I certify that:

1. I have reviewed this report of the NYISO for the year ended December 31, 2007;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the NYISO as of, and for, the periods presented in this report;

4. The NYISO's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for NYISO and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the NYISO is made known to us by others within the NYISO, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the NYISO's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the NYISO's internal control over financial reporting that occurred during the NYISO's most recent fiscal quarter (the NYISO's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the NYISO's internal control over financial reporting; and

5. The NYISO's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the NYISO's auditors and the audit committee of NYISO's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the NYISO's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the NYISO's internal control over financial reporting.

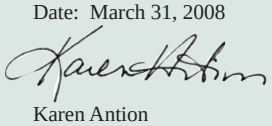
Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2007. The reporting process is designed to ensure that information required to be disclosed by the NYISO is recorded, processed, summarized and reported within the appropriate time periods. Based on that evaluation, we have concluded that the NYISO disclosure controls and procedures are functioning effectively to provide reasonable assurance that the NYISO can meet its disclosure obligations.

Management's Report of Internal Control over Financial Reporting

We have evaluated any change in our internal control over financial reporting that occurred during the fourth quarter of 2007, and have concluded that there was no change during the fourth quarter of 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Date: March 31, 2008



Karen Antion
Interim Chief Executive Officer

I certify that:

1. I have reviewed this report of the NYISO for the year ended December 31, 2007;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the NYISO as of, and for, the periods presented in this report;

4. The NYISO's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for NYISO and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the NYISO is made known to us by others within the NYISO, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the NYISO's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the NYISO's internal control over financial reporting that occurred during the NYISO's most recent fiscal quarter (the NYISO's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the NYISO's internal control over financial reporting; and

5. The NYISO's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the NYISO's auditors and the audit committee of NYISO's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the NYISO's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the NYISO's internal control over financial reporting.

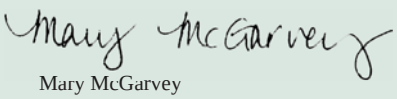
Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2007. The reporting process is designed to ensure that information required to be disclosed by the NYISO is recorded, processed, summarized and reported within the appropriate time periods. Based on that evaluation, we have concluded that the NYISO disclosure controls and procedures are functioning effectively to provide reasonable assurance that the NYISO can meet its disclosure obligations.

Management's Report of Internal Control over Financial Reporting

We have evaluated any change in our internal control over financial reporting that occurred during the fourth quarter of 2007, and have concluded that there was no change during the fourth quarter of 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Date: March 31, 2008



Mary McGarvey
Vice President & Chief Financial Officer

Financial Statements

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Fax: +1 212 436 5000
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INDEPENDENT AUDITORS' REPORT

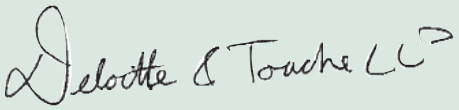
To the Board of Directors of
New York Independent System Operator, Inc.:

We have audited the accompanying statements of financial position of New York Independent System Operator, Inc. ("NYISO" or "the Company") as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of NYISO's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NYISO's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of NYISO as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the financial statements, effective December 31, 2007, the Company adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)," related to the requirement to recognize the funded status of a benefit plan.



New York, New York
March 31, 2008

Member of
Deloitte Touche Tohmatsu

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 55,379,447	$ 58,461,867
Restricted cash	277,012,904	189,299,217
Accounts receivable—net (Note 2)	13,645,777	11,947,742
Prepaid expenses	4,359,549	4,128,694
Regulatory assets—current portion (Note 3)	4,563,047	265,387
Other current assets	378,620	490,099
Total current assets	355,339,344	264,593,006
NONCURRENT ASSETS:		
Regulatory assets (Note 3)	4,271,929	7,392,723
Property and equipment—net (Note 4)	56,667,750	71,251,476
Other noncurrent assets	15,485,932	19,854,539
Total noncurrent assets	76,425,611	98,498,738
TOTAL	$ 431,764,955	$ 363,091,744
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 14,522,691	$ 18,557,423
Market participant prepayments	61,665,345	31,437,099
Market participant security deposits	210,012,026	152,089,995
Long-term debt—current portion (Note 6)	24,187,642	30,903,198
Working capital reserve (Note 10)	51,938,872	51,270,034
Deferred revenue (Note 11)	4,642,381	5,466,556
Regulatory liabilities—current portion (Note 12)	8,062,882	9,109,217
Other current liabilities	963,227	1,032,733
Total current liabilities	375,995,066	299,866,255
NONCURRENT LIABILITIES:		
Accrued pension liability (Note 8)	4,002,678	1,973,731
Accrued postretirement liability (Note 8)	4,548,507	4,106,206
Regulatory liabilities (Note 12)	150,108	604,179
Other noncurrent liabilities (Notes 7 and 8)	2,860,099	1,189,900
Long-term debt (Note 6)	44,208,497	55,351,473
Total noncurrent liabilities	55,769,889	63,225,489
COMMITMENTS AND CONTINGENCIES (Note 13)	-	-
TOTAL	$ 431,764,955	$ 363,091,744

See notes to financial statements.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
REVENUES:		
Rate Schedule 1 tariff charge	$ 146,892,009	$ 142,353,676
Interconnection studies revenue	3,261,406	1,572,392
Fees and services	652,614	591,819
Lease income (Note 9)	-	635,806
Total revenues	150,806,029	145,153,693
OPERATING EXPENSES:		
Compensation and related benefits (Note 8)	49,529,995	47,093,969
Professional fees and consultants	32,879,042	24,898,495
Depreciation and amortization	28,352,679	32,036,649
Maintenance, software licenses and facility costs	17,247,444	19,144,002
Federal Energy Regulatory Commission fees	7,744,646	7,754,555
Telecommunication expenses	4,228,646	4,376,256
Administrative and other expenses	5,208,760	4,823,001
Training, travel, and meeting expenses	2,153,666	2,261,939
Northeast Power Coordinating Council fees	530,048	1,724,639
Total operating expenses	147,874,926	144,113,505
Interest expense	$ 6,696,591	$ 3,763,399
Interest income	(3,765,488)	(2,723,211)
Interest expense - net	2,931,103	1,040,188
NET RESULTS OF ACTIVITIES	$ -	$ -

See notes to financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net results of activities	$ -	$ -
Adjustments to reconcile net results of activities to net cash provided by operating activities:		
Depreciation and amortization	28,352,679	32,036,649
Loss on disposal of fixed asset	86,632	341,577
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable and prepaid expenses	(1,901,033)	717,474
(Increase) decrease in restricted cash	(87,713,687)	63,579,017
(Increase) decrease in regulatory assets	(1,176,866)	4,582,033
Decrease (increase) in other assets	4,647,229	(4,025,496)
Increase (decrease) in accounts payable and accrued expenses	862,705	(1,299,405)
Increase (decrease) in market participant prepayments	30,228,246	(55,538,285)
Increase (decrease) in market participant security deposits	57,922,031	(9,100,029)
Increase in working capital reserve	668,838	1,569,898
(Decrease) in regulatory liabilities	(1,500,406)	(9,080,222)
Increase in deferred revenue and other liabilities	3,247,766	949,991
Net cash provided by operating activities	33,724,134	24,733,202
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment (including capitalized interest)	(19,086,522)	(23,264,773)
Proceeds from sale of assets	333,500	93,600
Net cash (used in) investing activities	(18,753,022)	(23,171,173)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from 2007–2010 budget facility loan	15,000,000	-
Proceeds from renovation loan	-	10,000,000
Proceeds from 2004–2006 budget facility loan	-	15,500,000
Payment of financing costs for 2007–2010 budget facility loan	(195,000)	-
Repayment of mortgage and renovations loan	(278,198)	(30,525)
Repayment of 2004–2006 budget facility loan	(18,872,000)	(15,000,000)
Repayment of 2003 budget facility loan	(13,708,334)	(11,750,000)
Net cash (used in) financing activities	(18,053,532)	(1,280,525)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,082,420)	281,504
CASH AND CASH EQUIVALENTS—Beginning of year	58,461,867	58,180,363
CASH AND CASH EQUIVALENTS—End of year	$ 55,379,447	$ 58,461,867
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Cash paid during the year for interest	$ 3,904,758	$ 3,812,327
NONCASH INVESTING ACTIVITIES:		
Property and equipment additions which were accrued but not paid	$ 1,448,615	$ 6,346,053
Property and equipment additions previously accrued which were paid	$ 6,346,053	$ 2,024,733

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description—The New York Independent System Operator, Inc. ("NYISO") was formed in April 1997 and commenced operations on December 1, 1999. NYISO is incorporated in the state of New York as a not-for-profit organization. NYISO assumed the responsibilities of its predecessor, the New York Power Pool ("NYPP"), which had coordinated the reliability of New York State's electric power grid for more than 30 years. Formed as a result of Federal Energy Regulatory Commission ("FERC") policies, NYISO monitors a network of more than 10,775 miles of high-voltage transmission lines and serves approximately 340 market participants.

NYISO's mission, in collaboration with its stakeholders, is to serve the public interest by maintaining and enhancing the reliable, safe, and efficient operation of the New York State transmission system and promoting and operating a fair and competitive wholesale market for electricity in New York State while providing quality customer service. NYISO facilitates fair and open competition in the wholesale power market and creates an electricity commodity market in which power is purchased and sold on the basis of competitive bidding. NYISO utilizes a bid process for electricity and transmission usage, which enables New York State's utilities and other market participants to offer electricity at competitive prices, rather than regulated rates. Billing invoices are issued to each market participant by NYISO each month to settle transactions occurring in the previous month.

NYISO is governed by an independent board of directors, as well as a committee structure consisting of market participant representatives. In addition to FERC oversight, NYISO is also subject to regulation in certain aspects by the New York State Department of Public Service.

Basis of Accounting—The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles").

Regulation—NYISO's financial statements are prepared in accordance with generally accepted accounting principles for rate-regulated entities. Statement of Financial Accounting Standards ("SFAS") No. 71, *Accounting for the Effects of Certain Types of Regulation*, requires an entity that is rate-regulated on a cost-of-service basis, to recognize regulatory assets and liabilities for amounts, which would otherwise be included in earnings, when authorized to do so.

Revenue Recognition—Monthly settlements of market participants' energy transactions are not reflected in NYISO's Statements of Activities since they do not represent revenues or expenses of NYISO, as NYISO merely acts as an intermediary in the settlement process. In this role, NYISO receives and disburses funds to/from market participants in the month following the month transactions occurred.

NYISO's two FERC-approved tariffs, the Open Access Transmission Tariff ("OATT") and the Market Administration and Control Area Services Tariff ("Services Tariff"), allow recovery of NYISO's capital requirements and operating expenses through a surcharge assessed to market participants. The revenue from this surcharge, Rate Schedule 1, is earned when energy is scheduled and dispatched. Market participants are then billed for such charges in the subsequent month.

NYISO's Rate Schedule 1 includes a timing mechanism that effectively meets the requirements of an alternative revenue program set forth in Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force Issue No. 92-7, *Accounting by Rate-Regulated Utilities for the Effects of Certain Alternative Revenue Programs*. Accordingly, revenue is recognized for net financing obligations and capital costs incurred during the reporting period based on the revenue requirement formula in the tariffs. NYISO has recorded an Other Noncurrent Asset of $11,728,390 and $15,003,195, respectively, in the accompanying 2007 and 2006 Statements of Financial Position in connection with this rate-making recovery mechanism.

Revenues recorded as interconnection studies revenues arise from billing and collection services in the interconnection service agreement process performed by NYISO. These revenues are offset by the corresponding interconnection expenses, recorded in operating expenses, which were incurred in performing such studies.

Cash and Cash Equivalents—NYISO considers short-term marketable securities with original maturities of three months or less to be cash equivalents. The cash equivalents at December 31, 2007 and 2006, were held in money market accounts invested primarily in short-term U.S. government obligations. NYISO's cash and cash equivalents consist primarily of funds accumulated for the working capital reserve, amounts due to market participants for overcollections on the voltage market, amounts collected for Transmission Congestion Contract ("TCC") auctions, amounts for funding employee benefit plans, and for general operating purposes.

Restricted Cash—Restricted cash consists primarily of market participant security deposits held in escrow accounts, amounts prepaid by market participants in advance of settlements billing dates, amounts deposited for interconnection studies, and amounts retained by NYISO pursuant to setoff agreements. The Company presents changes in restricted cash in the operating activities section of the statement of cash flows instead of in the investing activities section. NYISO has determined that this classification is more suitable to the nature of the Company's operations.

Other Assets—Other assets consist primarily of timing differences on certain rate-making recoveries, the fair value of securities held by the Trust Share Option Agreement, interest receivable, the fair value of interest rate cap and swap agreements, and other deferred charges. At December 31, 2006, the intangible asset related to NYISO's pension plan was also reflected in Other Noncurrent Assets. Upon NYISO's adoption of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* ("SFAS No. 158"), no intangible asset exists as of December 31, 2007.

Property and Equipment—Property and equipment are recorded at cost. NYISO capitalizes property and equipment additions in excess of $5,000 with a useful life greater than one year. Depreciation is computed on the straight-line method over the assets' estimated useful lives of three to five years, except for building and building improvements, which are depreciated on a straight-line basis over 20 years. When assets are retired or otherwise disposed of, the cost and related depreciation are removed, and any resulting gain or loss is reflected in expense for the period. Repairs and maintenance costs are charged to expense when incurred.

In accordance with Statement of Position 98-1, *Accounting for Costs of Computer Software Developed or Obtained for Internal Use*, labor, overhead, interest, consulting, and related costs incurred to acquire and develop computer software for internal use are capitalized and amortized using the straight-line method over three years. Costs incurred prior to the determination of feasibility of developed software and following the in-service date of developed software are expensed.

Long-lived assets are recorded at cost, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Management is not aware of any events or changes in circumstances that would necessitate a review of any long-lived assets as of the years ended December 31, 2007 and 2006.

Working Capital Reserve—In order to maintain the liquidity and stability of NYISO's markets, NYISO has accumulated a working capital fund through amounts charged to market participants under Rate Schedule 1. Any additional working capital needs would be billed to market participants in future Rate Schedule 1 charges. Market participants are entitled to interest on their principal contributions to the working capital reserve. Each market participant is allocated interest based on the respective ratio share of each market participant's principal contributions to the total working capital fund. Accumulated interest on the working capital fund is distributed annually to market participants.

Market Participant Prepayments—Amounts received from certain market participants who do not provide an alternate form of financial assurance and must prepay their obligations to NYISO in advance of settlements billing dates are recorded as market participant prepayments.

Deferred Revenue—Advance payments from developers for interconnection studies and amounts collected for self-insurance reserve are reflected as deferred revenue. Fees for participation in NYISO's governance process are billed to market participants in advance of the year for which they apply and are amortized over the related governance period. All such unamortized amounts are also included in deferred revenue.

Income Taxes—NYISO is not subject to income taxes because it is operating as a corporation described in Section 501(c)(3) of the Internal Revenue Code, exempt under Section 501(a) of the Internal Revenue Code. NYISO is also exempt from paying New York State income tax or sales tax.

Fair Value of Financial Instruments—The carrying amounts of current assets and liabilities approximate their fair values. Long-term debt rates currently available to NYISO for debt with similar terms and remaining maturities are used to estimate the fair value for debt issues that are not quoted on an exchange. See additional details in Note 7, with respect to derivatives.

Concentration of Credit Risk—Financial instruments that subject NYISO to credit risk consist primarily of market settlement billings and Rate Schedule 1 revenue due from market participants. As provided in the OATT and Services Tariff, NYISO reviews the creditworthiness of market participants, who are required to either maintain certain financial statement criteria and/or approved credit ratings, to post specified financial security in an amount sufficient to cover their outstanding liability to NYISO, or to prepay their obligations in advance of settlement billing dates.

NYISO's tariffs establish specific periods for the adjustment of settlement invoices as originally billed and for challenges to amounts billed for a particular service month. Subsequent invoices issued during the settlement adjustment period "true up" amounts previously

billed. After all true-up invoices are issued during the settlement adjustment period, market participants may challenge the amounts billed for a particular service month. If NYISO agrees with the provisions of the challenge, a final invoice is issued for that service month. As a result, NYISO is exposed to credit risk until all settlement adjustment and final invoices for each service month are finalized and liquidated. However, Rate Schedule 1 of the OATT allows NYISO to recover bad debt losses from remaining market participants in future billings.

For original invoices issued prior to October 2002, settlement invoices could be adjusted up to two years after the date of original issuance, and these invoices could be challenged for an additional one year after the issuance of all settlement adjustment invoices. Effective with the October 2002 settlement invoice, these periods were shortened to one year for adjustments and an additional four months for invoice challenges. Beginning with the January 2007 settlement invoice, these periods have been further shortened to six months for adjustments and an additional one month for invoice challenges. As of December 31, 2007, the adjustments and true-ups of all settlement invoices through December 2005, as well as February through April 2006 and January 2007 were completed.

Use of Estimates— Generally accepted accounting principles require management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications—Certain reclassifications of prior period data have been made to conform with the current-year presentation.

Derivative Financial Instruments—NYISO records derivative financial instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133"). SFAS No. 133 requires that all derivative financial instruments be recognized as either assets or liabilities, measured at fair value. The accounting for changes in fair value of derivatives (i.e. gains and losses) depends on the intended use of the derivative and the corresponding designation. The fair values of NYISO's derivative instruments are quoted by external sources. The changes in the fair value of these derivatives are recorded as interest expense. Due to NYISO's regulated rates, the offset to the changes in fair value of these derivatives is recorded as other assets. See additional details in Note 7.

Recently Issued Accounting Pronouncements—In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements."* This Standard establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 157 is not expected to have any effect on NYISO's financial statements.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115."* This Standard permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term measurement objectives for accounting for financial instruments. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 is not expected to have any effect on NYISO's financial statements.

2. ACCOUNTS RECEIVABLE

NYISO's accounts receivable at December 31, 2007 and 2006, consisted of the following:

	2007	2006
Billed:		
Past due settlement invoices	$ 3,476,670	$ 5,294,963
Miscellaneous billed receivables	424,000	258,575
Reserve for doubtful accounts—past due settlement invoices	(3,442,407)	(4,980,394)
	458,263	573,144
Unbilled:		
Operating expenses for December	12,523,317	11,158,491
Miscellaneous unbilled receivables	339,425	21,922
Bad debt losses recoverable from market participants	286,271	194,185
Replenishments of working capital reserve	38,501	-
	13,187,514	11,374,598
Total	$ 13,645,777	$ 11,947,742

Rate Schedule 1 of the OATT allows NYISO to recover bad debt losses from market participants and provides guidance on the provisions of such recoveries. NYISO's reserve for doubtful accounts at December 31, 2007 and 2006, results primarily from past due settlement invoices related to a subsidiary of Enron Corporation. The bad debt losses were recovered from market participants in accordance with the OATT and any amounts recovered from the Enron bankruptcy proceedings are refundable to these market participants. All amounts recovered from the Enron bankruptcy proceedings through December 31, 2007, were refunded to market participants in 2007. As of December 31, 2007 and 2006, NYISO recorded unbilled receivables of $286,271 and $194,185, respectively, to reflect amounts yet to be recovered from remaining market participants in connection with other bad debt losses.

NYISO recovers its operating expenses via Rate Schedule 1 in the month following the month of service. Therefore, the unbilled operating expenses for December are billed and recovered in January of the subsequent year.

Unbilled replenishments of working capital reserve relate to amounts recoverable from market participants via future Rate Schedule 1 charges to recover amounts temporarily utilized by NYISO out of the working capital reserve.

3. REGULATORY ASSETS

At December 31, 2007 and 2006, regulatory assets were comprised of the following:

	2007	2006
Asset related to recognition of SFAS No. 158 for pension plan	$ 4,232,525	$ -
Voltage support service (reactive power) market	3,021,124	265,387
Replenishment of working capital reserve	1,541,923	7,392,723
Funding for deferred charges	39,404	-
Total	8,834,976	7,658,110
Less: Current portion	(4,563,047)	(265,387)
Long-term portion	$ 4,271,929	$ 7,392,723

The adoption of SFAS No. 158 at December 31, 2007 required NYISO to recognize the unfunded balance of the pension plan as a liability in the Statement of Financial Position. The recognition of this unfunded status created a Noncurrent Regulatory Asset of $4,232,525 for pension costs to be recovered in future rates.

In order to maintain acceptable transmission voltages on the New York State transmission system, certain market participants within the New York Control Area produce or absorb voltage support service (reactive power). Payments to market participants supplying voltage support service and recoveries from other market participants are assessed via Rate Schedule 2 of the OATT and Services Tariff. Differences between the timing of recoveries and payments for voltage support service that result in undercollections are reflected as regulatory assets. At December 31, 2007 and 2006, respectively, NYISO recognized a regulatory asset of $3,021,124 and $265,387 related to such timing differences.

During 2004, NYISO entered into a settlement agreement with its market participants to resolve a billing issue in NYISO's Transmission Congestion Contracts market. As of December 31, 2007 and 2006, respectively, NYISO's working capital fund has been temporarily depleted by $1,541,923 and $7,392,723, respectively, as a result of this settlement. NYISO is replenishing this temporary draw on the working capital reserve via a FERC-approved surcharge assessed to certain future transmission congestion contracts. The timing of the replenishments via this surcharge is dependent upon the amount and timing of activity in the transmission congestion contracts market. NYISO anticipates full replenishment of the working capital reserve related to this settlement will occur during 2008. As such, the regulatory asset associated with this settlement is reflected as a current regulatory asset as of December 31, 2007.

4. PROPERTY AND EQUIPMENT

Property and equipment includes interest of $186,066 and $51,646 capitalized during 2007 and 2006, respectively. As of December 31, 2007 and 2006, property and equipment consisted of the following:

	2007	2006
Software developed for internal use	$ 80,295,603	$ 73,099,841
Computer hardware and software	53,267,924	73,155,073
Building, building improvements, and leasehold improvements	30,129,552	23,429,098
Machinery and equipment	3,272,366	3,794,357
Furniture and fixtures	2,757,115	2,920,164
Land and land improvements	2,065,571	2,042,929
Work in progress	3,433,444	11,797,113
	175,221,575	190,238,575
Accumulated depreciation and amortization	(118,553,825)	(118,987,099)
Property and equipment—net	$ 56,667,750	$ 71,251,476

Depreciation expense for the years ended December 31, 2007 and 2006 was $ 28,352,679 and $32,036,649, respectively.

5. SHORT-TERM DEBT

On July 21, 2005, NYISO entered into a $50 million Revolving Credit Facility that expires on July 21, 2010. The proceeds from this facility are to be used for working capital purposes. Interest on borrowings under this agreement is based on NYISO's option of varying rates of interest tied to either the prime rate or the London Inter Bank Offer Rate ("LIBOR"). At December 31, 2007 and 2006, respectively, there were no amounts outstanding on the Revolving Credit Facility.

6. LONG-TERM DEBT

On February 13, 2003, NYISO entered into a $59.3 million unsecured line of credit facility ("2003 Budget Facility"), the proceeds of which could be drawn until February 29, 2004, to fund the 2003 development of significant information technology projects. By December 31, 2003, $47.0 million was borrowed on the 2003 Budget Facility, with principal and interest payments payable over four years, beginning in March 2004. In October 2007, the 2003 Budget Facility was fully repaid, with $3.9 million representing voluntary prepayments against this debt. Interest on borrowings under this facility was based on NYISO's option of varying rates of interest tied to either LIBOR plus 137.5 basis points or the prime rate. On April 8, 2005, this loan was refinanced to lower the LIBOR interest rate spread from 137.5 basis points to 65.0 basis points. NYISO has also entered into an interest rate cap agreement on this debt, effective January 2, 2004, which capped the maximum interest rate at 5.375% (4.65% after April 8, 2005, refinancing). At December 31, 2006, the interest rates on these borrowings were at the 4.65% cap level. See additional information in Note 7.

On March 17, 2004, NYISO entered into an unsecured $100.0 million line of credit facility ("2004–2006 Budget Facility"), the proceeds of which could be drawn until December 2006 to fund the development of significant information technology projects during 2004 through 2006. NYISO has the option to convert borrowings under this 2004–2006 Budget Facility up to three times to term loans, with principal repayments made over four years. Interest on borrowings under this facility is due monthly and is based on NYISO's option of varying rates of interest tied to either LIBOR plus 60 basis points (for borrowings during the draw period not yet converted to term loans) or 100 basis points (for borrowings converted to term loans) or the prime rate. On April 8, 2005, this facility was refinanced to lower the LIBOR interest rate spread to 52.5 basis points (for borrowings during the draw period) and 80 basis points (for borrowings converted to term loans). NYISO entered into interest rate cap agreements on $82.0 million of this debt, which caps the maximum interest rate at 4.60% for borrowings during the draw periods not yet converted to term loans (4.525% after April 8, 2005, refinancing) and 5.00% for borrowings converted to term loans (4.80% after April 8, 2005, refinancing). See additional information in Note 7.

At December 31, 2004, $42.0 million was drawn on the 2004–2006 Budget Facility, which was converted to a term loan in February 2005 with monthly principal and interest payments payable from March 2005 through December 2008. At December 31, 2007 and 2006, respectively, the interest rate on these borrowings was at the cap level of 4.80%. During 2005, an additional $18.0 million was drawn on the 2004–2006 Budget Facility, which was converted to a term loan in February 2006 with monthly principal and interest payments payable from March 2006 through December 2009. At December 31, 2007 and 2006, the interest rate on these borrowings was at the cap level of 4.80%. During 2006, an additional $15.5 million was drawn on the 2004–2006 Budget Facility, which was converted to a term loan in March 2007 with monthly principal and interest payments payable through December 2010. At December 31, 2007 and 2006, the interest rate on these borrowings was at the cap level of 4.80% and 4.525%, respectively.

On January 22, 2007, NYISO entered into an unsecured $80 million line of credit facility, ("2007–2010 Budget Facility"), the proceeds of which may be drawn until January 2011 to fund capital purchases and the development of significant information technology projects during 2007–2010. NYISO must convert each year's annual borrowings to term loans, with principal and interest payments payable over three years. Interest on borrowings under this facility is based on NYISO's option of varying rates of interest tied to either LIBOR plus 40 basis points for borrowings during the draw periods, LIBOR plus 65 basis points for borrowings converted to term loans, or the prime rate. Interest payments on borrowings are due monthly. At December 31, 2007, $15.0 million was drawn on the 2007–2010 Budget Facility, which was converted to a term loan in January 2008 with monthly principal and interest payments payable from January 2008 through December 2010.

On January 23, 2007, NYISO entered into four interest rate swap agreements to fix interest payments on $60 million of the $80 million available on this line of credit facility. Under the swap agreements, NYISO will pay fixed interest rates ranging between 5.392% to 5.515% during the annual borrowing periods and 5.642% to 5.765% on the four annual term loan conversions. See additional information in Note 7.

On July 8, 2005, NYISO entered into two financing agreements to purchase and renovate a 140,000- square foot office building. The first agreement is a $14.7 million mortgage to finance the building purchase ("Mortgage"), and the second agreement represents a $10.0 million line of credit for renovations during an 18-month period, beginning in July 2005 ("Renovations Loan"). The Mortgage has principal and interest payments payable over 20 years, beginning September 2005. Principal and interest payments on borrowings made during the Renovations Loan draw period are payable over 20 years, beginning in January 2007. During the year ended December 31, 2006, $14.7 million was borrowed on the Mortgage, and $10.0 million was drawn on the Renovations Loan. Both agreements are secured by liens on the building and subsequent capitalized renovations. Interest on borrowings under both facilities is due monthly and is based on varying rates of interest tied to LIBOR plus 100 basis points. On February 15, 2005, NYISO entered into an interest rate swap agreement on the Mortgage, which fixes the interest rate on this loan at 5.79%. On February 15, 2005, NYISO also entered into an interest rate swap agreement on the Renovations Loan, which fixes the interest rate on these borrowings at 5.96%, beginning on January 1, 2007.

At December 31, 2007, the following amounts were outstanding on NYISO's long-term debt:

	2004–2006 Budget Facility Loan	2007–2010 Budget Facility Loan	Mortgage	Renovations	Total
Outstanding balance	$ 31,128,000	$ 15,000,000	$ 12,513,971	$ 9,754,168	$ 68,396,139
Less: Current portion	(18,876,000)	(5,000,000)	(32,215)	(279,427)	(24,187,642)
Long-term portion	$ 12,252,000	$ 10,000,000	$ 12,481,756	$ 9,474,741	$ 44,208,497

At December 31, 2006, the following amounts were outstanding on NYISO's long-term debt:

	2003 Budget Facility Loan	2004–2006 Budget Facility Loan	Mortgage	Renovations	Total
Outstanding balance	$ 13,708,334	$ 50,000,000	$ 12,546,337	$ 10,000,000	$ 86,254,671
Less current portion	(11,750,000)	(18,875,000)	(32,366)	(245,832)	(30,903,198)
Long-term portion	$ 1,958,334	$ 31,125,000	$ 12,513,971	$ 9,754,168	$ 55,351,473

At December 31, 2007, scheduled maturities of NYISO's long-term debt were as follows:

	2004–2006 Budget Facility Loan	2007–2010 Budget Facility Loan	Mortgage	Renovations	Total
2008	$ 18,876,000	$ 5,000,000	$ 32,215	$ 279,427	$ 24,187,642
2009	8,376,000	5,000,000	455,434	298,470	14,129,904
2010	3,876,000	5,000,000	482,901	317,013	9,675,914
2011	-	-	512,025	336,709	848,734
2012	-	-	541,065	356,162	897,227
Thereafter	-	-	10,490,331	8,166,387	18,656,718
Total	$ 31,128,000	$ 15,000,000	$ 12,513,971	$ 9,754,168	$ 68,396,139

7. DERIVATIVES AND HEDGING ACTIVITIES

The fair values of NYISO's derivative instruments, which are free-standing agreements, are quoted by external sources. The changes in the fair value of these derivatives are recorded in Interest Expense.

In December 2003, NYISO entered into an interest rate cap agreement with a commercial bank to cap interest payments at 5.375% (4.65% after refinancing on April 8, 2005) on its 2003 Budget Facility. The notional amount of the debt on the date of the cap agreement was $47,000,000. Under the cap agreement, NYISO pays a variable interest rate tied to LIBOR on the outstanding principal amount of the 2003 Budget Facility from January 2004 through February 2008; however, this variable interest rate cannot exceed 5.375% (4.65% after refinancing). As of December 31, 2007 and 2006, the fair value of the interest rate cap was $2,512 and $108,514, and is recorded in Other Current and Noncurrent Assets respectively. For the years ended December 31, 2007 and 2006, NYISO recorded interest expense of $18,329 and ($115), respectively, related to this derivative instrument.

In March 2004, NYISO entered into interest rate cap agreements with a commercial bank to cap interest payments at 4.60% for draws and 5.00% for term loans (4.525% and 4.80% after refinancing on April 8, 2005) on its 2004–2006 Budget Facility. The notional amount of the debt on the date of the cap agreements was $82,000,000. Under the cap agreements, NYISO pays a variable interest rate tied to LIBOR on the draws and term loans of the 2004–2006 Budget Facility from March 2005 through December 2010; however, this variable interest rate cannot exceed 4.525% for draws or 4.80% for term loans. As of December 31, 2007 and 2006, the fair value of the interest rate cap was $115,557 and $928,590, and is recorded in Other Current and Noncurrent Assets, respectively. For the years ended December 31, 2007 and 2006, NYISO recorded interest expense of $512,277 and ($21,207), respectively, related to this derivative instrument.

In February 2005, NYISO entered into two interest rate swap agreements with a commercial bank to fix interest rate payments on the financing of a new office building purchase. The notional amount of debt on the swap agreement for the Mortgage was $14,708,750, and NYISO pays a fixed interest rate of 5.79% on the outstanding principal amount of this financing on payments from August 2005 through August 2025. The notional amount of debt on the swap agreement for the Renovations Loan was $10,000,000, and NYISO pays a fixed interest rate of 5.96% on payments from January 2007 through January 2027. As of December 31, 2007 and 2006, the fair value of these interest rate swap agreements was ($177,095) and $333,440 for the Mortgage and ($252,713) and $132,710 for the Renovations Loan, recorded in Other Noncurrent Liabilities and Other Noncurrent Assets, respectively. For the years ended December 31, 2007 and 2006, NYISO recorded interest expense of $895,958 and ($419,004), respectively, related to these two swap agreements.

In January 2007, NYISO entered into four interest rate swap agreements with a commercial bank to fix interest rate payments on the 2007–2010 Budget Facility. The notional amount of debt on the swap agreements was $60,000,000. NYISO pays fixed interest rates ranging between 5.392% to 5.515% during the annual borrowing periods and 5.642% to 5.765% on the four annual term loan conversions from March 2007 through December 2013. As of December 31, 2007 the fair value of these interest rate swap agreements was ($1,058,110), recorded in Other Noncurrent Liabilities. For the year ended December 31, 2007, NYISO recorded interest expense of $1,058,110, related to these four swap agreements.

Summary of Derivatives

Loan	Notional Amount at inception	Notional Amount at 12/31/07	Fair value at 12/31/2006	Fair value at 12/31/2007	2007 Gain/(loss) on market value	Location of gain/loss
2003 Budget Facility	$ 47,000,000	$ 1,958,334	$ 108,514	$ 2,512	$ (106,002)	interest expense
2004-2006 Budget Facility	82,000,000	37,208,334	928,590	115,557	(813,033)	interest expense
2007-2010 Budget Facility	60,000,000	15,000,000	-	(1,058,110)	(1,058,110)	interest expense
Mortgage	14,708,750	12,513,971	333,440	(177,095)	(510,535)	interest expense
Renovations	10,000,000	9,754,168	132,710	(252,713)	(385,423)	interest expense

NYISO is exposed to credit loss in the event of nonperformance by the commercial banks under the interest rate cap and swap agreements. However, NYISO does not anticipate nonperformance by the commercial banks.

8. EMPLOYEE BENEFIT PLANS

Pension and Postretirement Plans—NYISO has a defined benefit qualified pension plan covering substantially all employees. Plan benefits are based on employee compensation levels and years of service, including service for certain employees previously employed by NYPP member companies. Employees become vested in pension benefits after five years of credited service. Effective January 1, 2008, the vesting period will be reduced from five years to three years of credited service to conform with requirements of the Pension Protection Act of 2006. NYISO expects to contribute $2.5 million to the qualified pension plan in 2008.

NYISO sponsors a defined benefit postretirement plan to provide medical and life insurance benefits for eligible retirees and their dependents. Substantially all employees who retire from NYISO become eligible for these benefits provided they have been credited with at least five years of NYISO service (10 years of NYISO service for those employees hired on or following January 1, 2005). The benefits are contributory based upon years of service, with NYISO paying up to 50% of costs for retired employees and up to 25% for their dependents (subject to specified dollar limits). Medical coverage becomes secondary upon Medicare eligibility and life insurance coverage is reduced upon reaching age 65.

The schedules that follow show the benefit obligations, the plan assets, and the funded status as of December 31, 2007 and 2006, and the change in benefit obligations for NYISO's qualified pension and postretirement plans for the years ended December 31, 2007 and 2006.

	Pension Plan		Postretirement Plan	
	2007	2006	2007	2006
Change in benefit obligation:				
Benefit obligation—beginning of year	$ 20,971,282	$ 19,941,334	$ 4,715,194	$ 4,619,446
Service cost	1,948,970	2,006,348	443,059	437,776
Interest cost	1,151,467	1,110,475	291,626	235,221
Actuarial (gain)/loss	(967,051)	961,149	(725,108)	(562,902)
Participant contributions	-	-	73,611	30,922
Terminated plan/plan amendment	-	107,856	-	-
Benefits paid	(2,119,519)	(3,155,880)	(109,759)	(45,269)
Benefit obligation—end of year	$ 20,985,149	$ 20,971,282	$ 4,688,623	$ 4,715,194
Change in plan assets:				
Fair value of plan assets—beginning of year	$ 15,493,064	$ 12,966,846	$ -	$ -
Actual return on plan assets	1,221,406	1,611,189	-	-
Employer contributions	2,500,004	4,166,671	36,148	14,347
Participant contributions	-	-	73,611	30,922

	Pension Plan		Postretirement Plan	
	2007	2006	2007	2006
Benefits paid	(2,119,519)	(3,155,880)	(109,759)	(45,269)
Expenses paid	(112,484)	(95,762)	-	-
Fair value of plan assets—end of year	$ 16,982,471	$ 15,493,064	$ -	$ -
Funded status	$ (4,002,678)	$ (5,478,218)	$ (4,688,623)	$ (4,715,194)
Unrecognized prior service cost	-	1,785,461	-	-
Unrecognized loss	-	5,411,481	-	608,988
Additional minimum pension cost	-	(3,692,455)	-	-
Total accrued liability	$ (4,002,678)	$ (1,973,731)	$ (4,688,623)	$ (4,106,206)

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* ("SFAS 158"). SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit or postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in the funded status in the year in which the changes occur. Additional minimum pension liabilities and related intangible assets are also no longer recognized upon adoption of the new standard. NYISO adopted SFAS 158 effective December 31, 2007. The following table summarizes the effect of the required changes due to the adoption of the new standard.

	Pension Plan			Post Retirement Plan		
	Before application of SFAS 158	Adjustments	After application of SFAS 158	Before application of SFAS 158	Adjustments	After application of SFAS 158
Accrued liability	$ (1,250,790)	$ (2,751,888)	$ (4,002,678)	$ (4,838,731)	$ 150,108	$ (4,688,623)
Intangible asset	$ 1,480,637	$ (1,480,637)	$ -	$ -	$ -	$ -
Other noncurrent asset/(liability)	$ -	$ 4,232,525	$ 4,232,525	$ -	$ (150,108)	$ (150,108)

Amounts recognized in the 2007 Statement of Financial Position consist of:

	Pension Plan	Postretirement Plan
	2007	2007
Benefit obligation	$ (4,002,678)	$ (4,688,623)
Intangible asset	-	-
Other noncurrent asset or liability	4,232,525	(150,108)
Projected benefit obligation	(20,985,149)	(4,688,623)
Fair value of assets	16,982,471	-
Unfunded Projected Benefit obligation	$ (4,002,678)	$ (4,688,623)

The unfunded projected benefit obligation for the postretirement plan at December 31, 2007 is recorded as $140,116 in Other Current Liabilities and $4,548,507 in Accrued Postretirement Liability.

Amounts recognized in the 2006 Statement of Financial Position consist of:

	Pension Plan	Postretirement Plan
	2006	2006
Benefit obligation	$ (1,973,731)	$ (4,106,206)
Intangible asset	1,785,461	-

Amounts recognized in the Statements of Activities consist of:

	Pension Plan		Postretirement Plan	
	2007	2006	2007	2006
The components of net periodic pension and postretirement cost are as follows:				
Service cost	$ 1,948,970	$ 2,006,348	$ 443,059	$ 437,776
Interest cost	1,151,467	1,110,475	291,626	235,221
Expected return on plan assets	(1,179,837)	(1,041,759)	-	-
Amortization of unrecognized prior service cost	304,824	296,835	-	-
Amortization of unrecognized loss	224,568	226,207	33,988	22,285
Total	$ 2,449,992	$ 2,598,106	$ 768,673	$ 695,282

NYISO uses a December 31 measurement date for its pension and postretirement benefit plans. NYISO's accumulated benefit obligation for the defined benefit pension plan is $18,233,261 and $17,466,795 at December 31, 2007 and 2006, respectively.

The following table as of December 31, 2007 and 2006, shows the assumptions used to calculate the pension and postretirement benefit obligations and net periodic costs:

	Pension Plans		Postretirement Plan	
	2007	2006	2007	2006
Benefit obligations:				
Discount rate	6.00 %	6.00 %	6.00 %	6.00 %
Rate of compensation increases	4.00	4.00	4.00	4.00
Net cost or credit:				
Discount rate	6.00	5.75	6.00	5.75
Rate of compensation increases	4.00	4.50	4.00	4.50
Expected return on plan assets	7.75	7.75	n/a	n/a

NYISO's expected rate of return on plan assets reflects anticipated returns on the qualified pension plan's current and future assets. To determine this rate, NYISO considers historical returns for equity and debt securities, as well as current capital market conditions and projected future conditions. NYISO selected an assumed rate of 7.75%, which is lower than the rate otherwise determined solely on historical returns.

The targeted allocation and actual investment mix of the pension plan's assets are as follows:

	Target Allocation	December 31, 2007	December 31, 2006
Cash equivalents	-%	- %	4 %
Equity securities	60	59	59
Debt securities	40	41	37
Total	100 %	100 %	100 %

Pursuant to resolutions adopted by NYISO's Board of Directors, NYISO's Retirement Board has been granted the authority to control and manage the operation and administration of NYISO's qualified pension plan, including responsibility for the investment of plan assets and the ability to appoint investment managers. The Retirement Board currently consists of NYISO's Chief Financial Officer, Vice President of Human Resources, General Counsel, and Controller. The Retirement Board provides reports to the Finance Committee of the Board of Directors on at least an annual basis.

The long-term investment objective for NYISO's qualified pension plan is to maximize the total return on plan assets while limiting risk, reflected in volatility of returns, to prudent levels. To that end, NYISO's Retirement Board has appointed and regularly meets with an investment advisor to review asset performance, compliance with target asset allocation guidelines, and appropriate levels of asset diversification. NYISO's investment advisor operates under written guidelines provided by NYISO, which cover such areas as investment objectives, performance measurement, permissible investments, investment restrictions, and communication and reporting requirements.

The assumed health care cost trend rates for the postretirement plan are 9% for 2007 decreasing to 5% in 2013, and 9% for 2006 decreasing to 5% in 2013. A one-percentage point change in the assumed health care cost trend rate would change the 2007 postretirement benefit obligation as follows:

	1% increase	1% decrease
Effect on postretirement benefit obligation	$ 296,800	$ (275,400)
Effect on total of service and interest cost components	43,800	(39,500)

The following benefit payments, which reflect expected future service, are expected to be paid:

	Pension Plan	Postretirement Plan
2008	$ 858,991	$ 144,258
2009	950,856	188,328
2010	1,336,946	246,013
2011	1,463,758	311,568
2012	1,534,521	342,423
2013–2017	11,195,311	2,257,037

401(k) Plan—NYISO has a 401(k) Retirement and Savings Plan open to all non-temporary employees. This plan provides for employee contributions up to specified limits. NYISO matches 100% of the first 3% of employee contributions, and 50% of the next 2% of employee contributions. Employees are immediately vested in NYISO's matching contributions, which were $1,347,709 and $1,390,915 for 2007 and 2006, respectively.

Long-Term Incentive Plan—NYISO's Long-Term Incentive Plan provides certain members of senior management with deferred compensation benefits. Benefits are based upon the achievement of three-year performance goals established by the Board of Directors, with participants becoming fully vested in these deferred amounts after the completion of the third year. For the first three performance cycles (2000–2002, 2001–2004, and 2002–2005), annual distributions were payable in the year following completion of the cycle. In 2005, there was a one-year performance cycle, payable in 2006. After 2005, distributions are payable after the completion of each three-year cycle. Accrued Long-Term Incentive Plan benefits included in Other Noncurrent Liabilities at December 31, 2007 and 2006, respectively, were $645,761 and $0. The short-term portion of such liability, included in Other Current Liabilities, at December 31, 2007 and 2006, was $160,903 and $987,616, respectively.

Trust Share Option Agreement—NYISO has entered into a nonqualified share option agreement with a key former officer whereby NYISO has granted to such former officer the right to acquire debt and equity securities held by NYISO in a trust for an amount equal to 25% of the fair value of such securities. The options are immediately vested and are subject to certain restrictions of transferability. At December 31, 2007 and 2006, respectively, the fair market value of securities held by the trust was $968,560 and $899,887. Options outstanding at December 31, 2007, expire from November 16, 2009 through February 19, 2012. NYISO records compensation expense for 75% of the fair value of the options granted at the date of grant. A corresponding liability is established until such time as the options are exercised. No options have been exercised as of December 31, 2007.

9. LEASE COMMITMENTS

Operating Leases—NYISO had obligations under three operating lease agreements primarily for rental of office space. One lease agreement for property in Albany, New York, expired in January 2006. Another lease agreement for property in Altamont, New York, expired in February 2006, and was extended on a month-to-month basis until terminating in March 2008. The third lease agreement for property in Albany, New York, expires in April 2008, but is cancelable after April 2006 and was cancelled in September 2007.

Rent expense related to these leases in 2007 and 2006 was as follows:

	2007	2006
Minimum lease payments	$ -	$ 180,422
Additional lease payments	-	1,387
Total	$ -	$ 181,809

There are no future minimum lease payments remaining under these operating leases at December 31, 2007.

On July 8, 2005, NYISO purchased an office building to relocate NYISO's alternate control center and to consolidate employees located in leased facilities. On this date, NYISO also executed an agreement to lease certain office space within the building to the previous owner of this building for a period of one year. The lease agreement allowed the lessee to terminate the lease after 10 months or to extend the lease for two months. In December 2005, the lessee gave notice to terminate the lease after 10 months, and the lease was terminated in May 2006. Monthly minimum lease payments were $89,546, plus reimbursements for a percentage of operating, maintenance, real estate taxes, and insurance costs. A security deposit of $281,521 was applied to the last two months' rent and expenses. On January 16, 2006, NYISO amended the lease terms to reduce the square footage rented and to lower rent and expense reimbursements by 9.8%. The minimum lease income recorded in 2006 was $327,217, plus additional rent income of $308,589.

In connection with the purchase, management entered into a Payment in Lieu of Taxes ("PILOT") Agreement with the Rensselaer County Industrial Development Agency ("RCIDA") to achieve certain benefits. Per the terms of this agreement, NYISO will be required to make annual payments of approximately $175,000 for the first 10 years. The agreement is cancelable at the discretion of NYISO.

10. WORKING CAPITAL RESERVE

At December 31, 2007 and 2006, the working capital reserve consisted of:

	2007	2006
Market participant contributions through Rate Schedule 1	$ 46,440,345	$ 46,440,345
Interest on market participant contributions	5,498,527	4,829,689
Total	$ 51,938,872	$ 51,270,034

11. DEFERRED REVENUE

Deferred revenue at December 31, 2007 and 2006, consisted of the following:

	2007	2006
Advance payments received on interconnection studies	$ 2,907,510	$ 3,754,248
Amounts collected for self-insurance reserve	1,346,971	1,351,408
Governance participation fees	387,900	360,900
Total	4,642,381	5,466,556
Less: current portion	(4,642,381)	(5,466,556)
Long-term portion	$ -	$ -

12. REGULATORY LIABILITIES

At December 31, 2007 and 2006, NYISO recorded the following amounts as regulatory liabilities:

	2007	2006
Rate Schedule 1 transactional volume overcollections	$ 6,319,291	$ 3,514,537
Rate Schedule 1 underspending	1,743,591	5,594,680
Funding for deferred charges	-	604,179
Liability related to recognition of SFAS No. 158 for postretirement plan	150,108	-
Total	8,212,990	9,713,396
Less: current portion	(8,062,882)	(9,109,217)
Long-term portion	$ 150,108	$ 604,179

NYISO recovers its operating expenses through a surcharge assessed to market participants via Rate Schedule 1 of the OATT and Services Tariff. To the extent that transactional volumes billed under Rate Schedule 1 exceed the amount expected when the Rate Schedule 1 surcharge is established, NYISO reflects a regulatory liability for the overcollection amounts. Additionally, to the extent that NYISO's spending does not exceed the annual Rate Schedule 1 revenue requirement, a regulatory liability is also established for the underspending amounts. The regulatory liabilities resulting from Rate Schedule 1 transactional volume overcollections and underspending at December 31, 2007 and 2006, respectively, are applied toward reduction of long-term debt.

SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit or postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in the funded status in the year in which the changes occur. This recognition created a noncurrent regulatory liability of $150,108 for accumulated actuarial gains to be recognized in future periods.

13. COMMITMENTS AND CONTINGENCIES

NYISO is routinely involved in regulatory actions. In the opinion of management, none of these matters will have a material adverse effect on the financial position, results of operations, or liquidity of NYISO.

The most significant legal proceeding affecting NYISO is a civil suit, filed by New York State Electric and Gas, seeking recovery of $6.6 million in compensatory damages and unspecified punitive damages, associated with alleged excessive payments for reserves of electricity during the period January to March 2000. This case, which is pending in the U.S. District Court for the Northern District of New York ("Northern District"), has been stayed pending the outcome of related proceedings at the FERC and the D.C. Circuit Court of Appeals. The D.C. Circuit Court of Appeals rendered a decision affirming FERC's determination to deny refunds on December 18, 2007, and no further related appellate or regulatory proceedings are anticipated. The civil suit remains stayed and on inactive status, pending further action by the parties or the Northern District seeking to reopen the action.

NYISO is also defending a civil suit, filed by a former employee, seeking reinstatement, as well as compensatory and punitive damages totaling $5 million, as relief for certain events alleged to have occurred during this individual's NYISO employment. On September 24, 2007, the court granted, in part, a motion to dismiss the complaint and dismissed all claims asserted directly against the NYISO, leaving in place a single claim against a NYISO employee, the plaintiff's former supervisor. The plaintiff has served notice of its intention to appeal the court's decision, but has not yet taken steps to perfect the appeal.

NYISO is also a defendant in a civil suit, pending in United States District Court for the Southern District of New York, commenced by 330 Fund I, L.P. In the suit, the plaintiff alleges that NYISO failed to timely post certain information regarding transmission system changes and outages on NYISO's Open Access Same-Time Information System, in violation of NYISO's OATT, which allegedly resulted in plaintiff incurring unspecified losses in connection with several transmission congestion contracts. By mutual agreement, the suit has been stayed pending the completion of administrative proceedings that were simultaneously filed by plaintiff with FERC and involve the same subject matter. On October 1, 2007, FERC denied the plaintiff's complaint, and the plaintiff has filed a petition for rehearing which NYISO has opposed.

Market Participants

330 Fund I, L.P.
330 Investment Management, LLC
3C Investments
3M Tonawanda
AB Energy NY, Pty. Ltd.
Absolute Energy Inc.
Accent Energy Midwest II LLC
Accent Energy Midwest LLC
Ace Energy Company, Inc.
Advantage Energy Hedging LLC
Advantage Energy, Inc.
AES Eastern Energy L.P.
AG Energy, L.P.
Agway Energy Services, LLC
Aleph One, Inc.
Allied Utility Network
Ambit Energy, L.P.
American Electric Power Service Corp.
American Ref-Fuel Company of Niagara, L.P.
American Utility Consultants
Amerinco, LLC
Amherst Utility Cooperative (AUC)
Astoria Energy LLC
Astoria Generating Company Acquisitions LLC
Astoria Generating Company L.P.
Athens Generating Company, L.P.
August Power, LLC
Axon Energy, LLC
Bank of America, N.A.
Barclays Bank PLC
Bear Energy L.P.
BG Energy Merchants, LLC
BJ Energy LLC
Black Oak Capital LLC
Black Oak Energy LLC
Blue Rock Energy, Inc.
BluePoint Energy
Boralex Chateaugay, Inc.
Boralex Operations, Inc
BP Energy Company
Brookfield Energy Marketing Inc.
Broome Energy Resources, LLC
Bruce Power Inc.
CaL.P.ine Energy Services L.P.
CAM Energy Trading LLC
Cambridge Valley Enterprises LLC
Canal Emirates Power International, Inc.
Canastota Windpower LLC
Cargill Power Markets, LLC
Carr Street Generating Station L.P.
CBK Group, LTD
CECONY-LSE
Centaurus Energy Master Fund, L.P.
Central Hudson Enterprises Corp.
Central Hudson Gas & Electric Corp.
Central Vermont Public Service Corp.
Citadel Energy Investments Ltd.
Citadel Energy Products LLC
Citigroup Energy Inc.
Citizens Power LLC
City of Niagara Falls
City Power Marketing, LLC
Clearview Electric, Inc.
Columbia Utilities Power, LLC
Commerce Energy, Inc.
Con Edison Solutions, Inc.
Conectiv Energy Supply, Inc.
Conservation Services Group
Consolidated Edison Co. of New York, Inc.
Consolidated Edison Energy, Inc.
Consolidated Hydro New York, Inc.
Constellation Energy Commodities Group, Inc.
Constellation NewEnergy 1123-DADRP
Constellation NewEnergy, Inc.
Consumerpowerline.org
Coral Power, LLC
Core Equities, Inc.
County Energy Services, LLC
County of Erie NY
County of Niagara NY
Credit Suisse (USA), Inc.
Credit Suisse Energy LLC
Crucible Specialty Metals
Cummins Inc
Cutone & Company Consultants, LLC
DART Premiums
David Sholk, LLC
Day Automation Systems, Inc.
DB Energy Trading LLC
DC Energy LLC
DC Energy New York, LLC
Delaware Trading Inc.
Demand Direct LLC
Direct Energy Marketing, Inc.
Direct Energy Services, LLC
Dominion Energy Marketing, Inc.
Dominion Retail, Inc.
drop18 Energy
DTE Energy Trading Inc
Dynegy Power Marketing, Inc.
East Coast Power, LLC
eBidenergy, Inc.
ECONnergy Energy Company, Inc.
ECS Power Corp
Edison Mission Marketing & Trading, Inc.
E-Energy, Inc.
Emera Energy Services, Inc
Emera Energy U.S. Subsidiary No. 1, Inc.
Empire Natural Gas Corp.
Empire Power Systems LLC
Energetix, Inc.
Energy Advantage Consulting, LLC
Energy Analytics, Inc.
Energy Connect, Inc.
Energy Conservation and Supply, Inc.
Energy Cooperative of New York (ECNY)
Energy Curtailment Specialists, Inc.
Energy Endeavors, LLC
Energy Enterprises Inc.
Energy Investment Systems, Inc.

Energy New England, LLC
Energy Plus Holdings LLC
Energy Procurement Service Alliance, LLC
Energy Services Provider, Inc.
Energy Solutions Group LLC
Energy Solutions USA, Inc.
Energy Spectrum Inc.
Energy Systems North East LLC
Energy Trading Associates, Inc.
EnerNOC, Inc.
Enerwise Global Technologies, Inc.
Engage Networks, Inc.
Entergy Nuclear Fitzpatrick, LLC
Entergy Nuclear IP-2 LLC
Entergy Nuclear IP3, LLC
Entergy Nuclear Power Marketing LLC
Entergy Solutions Ltd.
Entergy Solutions Supply Ltd.
EPCOR Energy Marketing (US), Inc.
EPCOR Merchant and Capital (US), Inc.
EPIC Merchant Energy NY, L.P.
Erie Boulevard Hydropower L.P.
Exelon Generation Company LLC
FC Energy Services Company, LLC
Finger Lake Utilities
Firm Solution LLC
First Commodities Ltd.
FirstLight Power Resources Management, LLC
Flat Rock Windpower II LLC
Flat Rock Windpower LLC
Fortis Energy Marketing & Trading, GP
Fortis Ontario Inc
FPL Energy Marketing, Inc.
Franklin Power LLC
Freeport Electric
Galt Power, Inc.
General Electric Plastics
Glacial Energy New York, Inc.
GLE Trading LLC
Glens Falls Lehigh Cement Company
Good Energy, L.P.
Grant Energy, Inc.
Great Bay Power Corp.
Grunwald Fund
Hampshire Paper Co., Inc.
Hess Corporation
Horizon Power, Inc.
HQ Energy Services (US)
HSBC Bank USA
Hudson Energy Services, LLC
Hudson Valley Trading Group, Inc.
IDT Energy, Inc
Indeck Energy Svs of Silver Springs
Indeck-Corinth L.P.
Indeck-Ilion L.P.
Indeck-Olean L.P.
Indeck-Oswego L.P.
Indeck-Yerkes L.P.
Innovative Energy Systems, Inc.
Innoventive Power LLC
International Paper Company
J Aron and Company
J Aron and Company
J. P. Morgan Ventures Energy Corporation
Jamestown Board of Public Utilities
Juice Energy, Inc
Jump Power, LLC
Kaleida Health
KeySpan - Ravenswood, Inc.
KeySpan Energy Services, Inc.
KeyTex Energy LLC
Koch Energy Trading, Inc.
Koch Supply & Trading, L.P.
KW Control Systems, Inc.
Lafarge Building Materials, Inc.
LaIssez Faire Energy, Inc.
Lavand and Lodge, LLC
Lehman Brothers Commodity Services, Inc.
Liberty Power Corp.
Liberty Power Holdings LLC
Liberty Power New York LLC
Lighthouse Energy Trading Co., Inc.
Lockport Energy Assoc.
Long Island Power Authority
Lynx Technologies, Inc.
Lyonsdale Biomass, LLC
Madison Windpower, LLC
MAG Energy Solutions, Inc.
Major Energy Electric Service, LLC
MDSP - Hess Corporation
MDSP - Excel Energy Technologies
MDSP - WPS Energy Services, Inc (ESI)
Merrill Lynch Commodities, Inc.
Metering Authority - Central Hudson Gas and Electr
Metering Authority - Consolidated Edison of NY
Metering Authority - Long Island Power Authority
Metering Authority - New York Power Authority
Metering Authority - New York State Electric & Gas
Metering Authority - Niagara Mohawk
Metering Authority - Orange and Rockland Utilities
Metering Authority - Rochester Gas and Electric
MG Industries
Mirabito Gas & Electric, Inc.
Mirant Energy Trading, LLC
Model City Energy LLC
Modern Innovative Energy, LLC
Monroe County NY
Morgan Stanley Capital Group, Inc.
MxEnergy Electric Inc
New York Energy Savings Corp
New York Energy, Inc.
New York Industrial Energy Buyers, LLC
New York Municipal Power Agency
New York Power Authority
New York State Electric & Gas Corp.
Niagara Frontier Transportation Authority
Niagara Mohawk Power Corp.
Niagara University
Nine Mile Point Nuclear Station, LLC
Nissequogue Cogen Partners

NMPC-DADRP
Noble Bliss Windpark, LLC
Noble Clinton Windpark I, LLC
Noble Ellenburg Windpark, LLC
NOCO Electric LLC
Norbord Industries, Inc.
North American Energy, Inc.
North American Power Partners LLC
North East Sources, LLC
Northbrook New York LLC
Northeast Expense Reduction Services, Inc
Northeast Utilites Service Co.
Northern States Power Company
NorthPoint Energy Solutions, Inc.
NRG Power Marketing, Inc.
NYSEG Solutions, Inc.
Occidental Chemical Corp.
Occidental Power Services Inc
Ocean Power LLC
Olin Chlor - Alkali Products
One Joule per Second, LLC
Onondaga Cogeneration, L.P..
Ontario Power Generation, Inc.
Optima Energy, LLC
Orange & Rockland Utilities, Inc.
Orion Power Holdings, Inc. - ASTORIA
ORU-LSE
Peoples Energy Services Corp.
Pepco Energy Services
PG&E Energy Trading
Pine Bush Energy Trading, LLC
Pirin Solutions, Inc
Plant-E Corp.
Power Biddiing Strategies, LLC
Power City Partners, L.P.
Powerex Corporation
PP&L EnergyPlus Co. (EPLUS)
PPL Utilities
PPM Energy, Inc.
Praxair Inc
Prenova, Inc.
Pro Energy Marketing LLC
Pro-Energy Development LLC
Project Orange Associates, L.P.
PSEG Energy Resource & Trade, LLC
Public Energy Solutions, LLC
Public Service Electric & Gas Co.
Pure Energy Inc
R.E. Ginna Nuclear Power Plant, LLC
Rainbow Energy Marketing Corp
RBC Energy Services L.P.
RedGreen288, LLC
Reliable Power Management, Inc.
Reliant Energy Services, Inc.
Reliant Energy Solutions Northeast, LLC
Rensselaer Cogeneration LLC
Robison Energy, LLC
Rochester Gas & Electric Corp.
RTP Controls, Inc
S.A.C. Energy Investments, L.P.
Saracen Energy, L.P.
Saracen Merchant Energy, L.P.
Schools & Municipal Energy Cooperative (SMEC)
Select Energy New York, Inc.
Select Energy, Inc.
Selkirk Cogen Partners, L.P.
Sempra Energy Solutions
Sempra Energy Solutions - DRP
Sempra Energy Trading Corp.
Seneca Energy II, LLC
Seneca Power Partners, L.P.
SESCO Enterprises LLC
SIG Energy, LLL.P.
Silverhill Ltd., GP for Power Fund L.P.s.
Site-Controls, Inc
Sithe Energy Marketing, L.P.
Sithe Independence Power Partners L.P.
Sithe Power Marketing, L.P.
Solios Power LLC
SourceOne
South Jersey Energy Company
Spark Energy, L.P.
Specialized Energy Services, Inc.
State of New York
State University of New York
State University of New York at Buffalo
Stealth Energy Company, LLC
Sterling Power Partners, L.P.
Strategic Energy, LLC
Strategic Power Management, Inc.
Suez Energy Marketing NA, Inc
Suez Energy Resources NA, Inc
SUNY Potsdam
Swiftwater Energy Trading, LLC
Tarachand Enterprises, Inc.
Telemagine, Inc.
Texas Retail Energy, LLC
The Dayton Power and Light Company
Tops Markets, Inc.
Total Gas & Electric, Inc.
TransAlta Energy Marketing (U.S.), Inc.
TransCanada Power Marketing, Ltd.
Trigen-Syracuse Energy Corp.
Triton Power Company
Twin Cities Power Generation
U.S. Energy Partners LLC
UBS AG, London Branch
UGI Energy Services, Inc
UniGrid Energy LLC
University of Rochester
Village of Hilton
Village of Rockville Centre
Virtual Energy LLC
Virtual Energy, Incorporated
Wakefern Food Corporation
Western New York Wind Corp.
Wheelabrator Westchester, L.P.
WPS Energy Services, Inc.
Zone Energy
ZZ Corporation

Tribute to Peter A. A. Berle

Lifelong environmentalist and civic activist Peter A. A. Berle died in late 2007. He was Vice Chair of the NYISO's Board of Directors and headed the Governance Committee. He was appointed to the NYISO's Board in 2000. His wise counsel, broad perspective and relationship building will continue to serve the NYISO, market participants and ultimate customers for many years to come.

Mr. Berle left a record of accomplishment that benefited all New Yorkers.

A graduate of Harvard College and Harvard Law School, Mr. Berle co-founded one of the nation's first environmental law firms. While a three-term member of the New York State Assembly, Mr. Berle helped pass some of New York's first environmental laws.

During his three-year tenure as Commissioner of the New York State Department of Environmental Conservation (DEC), he helped write the state's first solid-waste plan, an air pollution control plan for New York City, and took action against PCB pollution in the Hudson River.

Mr. Berle's contributions to the environment extended beyond New York State. He served as President and CEO of the National Audubon Society for ten years ending in 1995. In that role, he spoke out against global warming and worked to toughen the Endangered Species Act. He also fought to preserve California wetlands and opposed oil drilling in the Arctic National Wildlife Refuge. Also on a national level, President Clinton appointed him to the Joint Public Advisory Committee to the North American Commission on Environmental Cooperation.

Always seeking to increase public awareness and sensitivity, he hosted syndicated radio shows and produced television programs on the environment.

The life and work of Peter A.A. Berle will have a lasting impact on the NYISO, New York and the nation. His legacy of commitment to the environment and natural resources will continue to benefit New Yorkers for many generations to come.

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