

Notice of Bad Debt Loss / Recovery

May 1, 2008

The NYISO has incurred a bad debt loss of \$285,419.69, as further described below. This amount will be recovered from Market Participants pursuant to the formula in Attachment U of the NYISO's Open Access Transmission Tariff ("OATT") as a Rate Schedule 1 charge to be included in customer invoices for the service month of April 2008 to be issued in May 2008. The NYISO also has recovered \$397,387.19, as further described below, for certain bad debt losses previously declared on February 28, 2003 primarily related to the Enron bankruptcy. The recovered amounts will be credited to customer invoices for the service month of April 2008 to be issued in May 2008, according to customers' load ratio shares for February 2003 - the same allocation that customers were charged for the original bad debt loss.

Bad Debt Loss

Fulton Cogeneration Associates, L.P.

As a result of unpaid invoices issued to Fulton Cogeneration Associates L.P. ("Fulton") for the months of February 2005, June 2006 and July 2006, the NYISO has incurred a bad debt loss in the amount of \$285,419.69. This amount will be recovered from Market Participants pursuant to the formula in Attachment U of the NYISO's OATT as a Rate Schedule 1 charge to be included in customer invoices for the service month of April 2008 to be issued in May 2008. The NYISO is reviewing the cost effectiveness of pursuing further collection efforts against Fulton.

Recovery

Enron

On February 28, 2003, the NYISO declared bad debt losses in the amount of \$10,274,034.00 and \$907,842.00 for Enron Power Marketing, Inc. ("EPMI") and Enron Energy Services, Inc. ("EES") respectively, for a total Enron-related bad debt loss of \$11,181,876.00. These bad debt losses were collected according to customers' load ratio shares for February 2003.

As a result of distributions under the Chapter 11 bankruptcy proceeding for EPMI, the NYISO has previously received and refunded to customers a total of \$7,117,898.03. These previous refunds were included on the March 2006, May 2006, November 2006, May 2007, August 2007 and November 2007 consolidated invoices. All amounts NYISO recovers for bad debt losses are refunded to customers using the same allocation that customers were charged for the original bad debt losses.

As a result of additional distributions under EPMI's Chapter 11 bankruptcy proceeding, NYISO has received \$397,387.19 and may receive additional amounts which are currently unknown. The \$397,387.19 will be included on the April 2008 invoice to be issued in May 2008.

Recoveries to date on the EPMI bad debt loss total \$7,515,285.22. Additionally, the entire bad debt loss of \$907,842.00 for EES has previously been recovered and refunded to customers. Therefore, NYISO has recovered \$8,423,127.22 of the total Enron-related bad debt loss, which represents approximately 75% of the original bad debt loss.

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Vice President and Chief Financial Officer