
For Immediate Release

NEW YORK ASSEMBLY COMMITTEES HEAR ISO CHIEF; Independent System Operator CEO Portrays Operations, Wholesale Prices

August 2, 2000, New York City...At a hearing convened by the Speaker of the New York State Assembly and several of its standing committees, New York Independent System Operator President and CEO William J. Museler presented testimony outlining the operations of the ISO and performance of the newly deregulated wholesale electric markets. The hearing was convened to gather information regarding localized system problems in New York City and electric price increases in the City and Westchester County.

Museler guided the Assembly Members through a description of the part that the ISO plays in deregulation in New York State, the role of the Independent System Operator in bulk power system reliability, and an overview of how the wholesale markets for electricity operate. Museler portrayed the two sources of wholesale electricity as being private, bilateral contracts between load serving entities and generators, and the NYISO markets. Electricity is traded in equal amounts through both means.

The NYISO President explained the ISO's role as ensuring the reliable operation of the State's transmission system to avoid interruptions of power over large areas. The local distribution systems, where the most frequent outages occur, remain the responsibility of the various utility companies around the State. The financial role played by the ISO is administering an equitable market, and is similar to that of a stock exchange that provides a place for buyers and sellers to come together, with supply and demand being the determining price factors.

Museler noted that wholesale prices have increased as a result of the relatively small number of producers of supply, matched against rapidly growing demand, and the inability of the end use customer to react to price. Added to this equation is the escalating price of natural gas and fuel oil that power the generators and is reflected in the cost of electricity. However, it was further disclosed that there is substantial interest in the building of new generation in New York, and this should have a positive influence on price as the number of competitors in the market increase. The average wholesale price of electricity purchased through the NYISO for the New York City/Westchester zone from the start of the market on November 18, 1999 to July 21, 2000 was 4.92 cents per kilowatt-hour. The statewide price for the same period was 4.16 cents per kilowatt-hour.

Mr. Museler concluded his testimony by summarizing that "the NYISO is working diligently to make certain that the markets work in such a way that supports the competition envisioned by deregulation. The NYISO is also seeking ways to enhance system reliability."

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EDITOR NOTE: The full text of Mr. Museler's testimony, with graphics, can be accessed at www.nyiso.com under "What's New".