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**FOR IMMEDIATE RELEASE**

**FERC REJECTS MORGAN STANLEY NON-PHYSICAL BIDDING COMPLAINT;  
Commission Supports Balanced Approach to Market Changes By NYISO**

October 6, 2000, Guilderland, NY... The Federal Energy Regulatory Commission denied on October 5 the complaint filed in July by Morgan Stanley Capital Group, Inc. that sought a Commission order to direct the New York Independent System Operator to permit non-physical, financial bids for sale or purchase of electric energy in the New York wholesale electricity markets by entities with neither generating capacity nor physical loads. In its complaint, Morgan Stanley took issue with the NYISO Services Tariff, which stipulates “physical” markets for energy, open only to entities that either physically consume or supply energy. The complaint sought the ability for power marketers to bid to purchase or sell energy in the Day-Ahead and Real-Time markets for any location on the NYISO system without identifying physical suppliers or consumers.

In its response to the complaint, the NYISO stated that while there may be merit to the creation of additional “virtual” or financial markets, the NYISO’s primary objective at this time is to ensure the efficient operation of the physical markets. In its order, the FERC stated that “We find it is important in this case to adopt a balanced, considered approach to needed corrections and changes to the NYISO’s software.”

NYISO President and CEO, William J. Museler, noted that “Last November the New York Market Participants launched the most sophisticated markets for energy and related services in the United States. Implementation of these markets has required the need for a number of corrections and adjustments to the software and some changes to the initial market design, but the markets are maturing rapidly to the level of performance that was anticipated at their inception. The NYISO recognizes that many entities are eager to see market adjustments that will create additional financial trading opportunities, but our focus at this time must be on completing the development of the market’s efficient physical operation.”

(more)

NYISO staff and Market Participants have discussed the introduction of additional markets for financial transactions, but immediate concerns that some entities may be attempting to manipulate the physical markets for windfall profits unrelated to the laws of supply and demand have become the focus of attention in recent weeks. “When we have confidence that efficient operation has been achieved and that market gaming opportunities have been addressed, we will be better positioned to consider some of the market enhancements raised in the filing” Museler added. The NYISO is working with Market Participants through its committee structure on potential designs for virtual markets. The Commission ordered the NYISO to file a report on its development of a plan to implement bidding by non-physical entities by January 1 of next year.