NEWS RELEASE

NEW YORK INDEPENDENT SYSTEM OPERATOR

FOR IMMEDIATE RELEASE

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NYISO BOARD TO FILE EXPEDITED REQUEST FOR FERC APPROVAL OF AUTOMATED MITIGATION PROCEDURE ("CIRCUIT BREAKER") BY 6/13

\- Acting On Appeals, Board Also Requests That Market Participants Develop Revised "A" and "B" Proposals For "Sanctions" Contingent Upon Whether Or Not FERC Approves AMP Filing -

NEW YORK CITY– At its May meeting held today in New York City, the Board of Directors of the New York Independent System Operator (NYISO) voted to file an expedited request with the Federal Energy Regulatory Commission (FERC), asking for approval of its Automated Mitigation Procedure (AMP) under its existing Market Mitigation Plan (MMP) by the FERC's next meeting on June 13, 2001.

In addition, in response to appeals from Market Participants, the Board also made a request of New York Market Participants to work through the committee governance process to develop an "A" and "B" list of "fair sanctions," also by the June 13 date. The "A" list sanctions would be implemented contingent upon FERC approval of the AMP and the "B" list sanctions would be implemented if FERC were not to approve the AMP by June 13. Though they are separate issues, the Board's rationale is that the implementation of a FERC-approved AMP would significantly reduce the need for sanctions as a disincentive to abuse and thus such sanctions should be different if an AMP is in place.

"The NYISO Board is working hard to balance the concerns about market power abuse during a time of supply deficiency, with the need to maintain a market that is neither hostile nor risk-ridden to vendors," said Board Chairman Richard J. Grossi. "We firmly believe that the AMP achieves this balance, and combined with fair sanctions, will protect consumers while not sacrificing the crucial long-range need to attract both investment and energy transactions."

The NYISO has been proceeding with the development of the AMP in anticipation of the Summer of 2001 and has taken the position that it is consistent with and could be implemented under the terms of the existing MMP within the NYISO tariff. However, in an order issued May 9, 2001 FERC decided otherwise and found that the NYISO must file proposed tariff sheets under section 205 of the Federal Powers Act if it wishes to implement the "modified market mitigation" procedures. Based upon this FERC decision last week, the NYISO elected to make this expedited filing.

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As to the outcome of the expedited AMP filing, Chairman Grossi made clear that one way or another, the NYISO will seek to have protective measures in place for the coming summer. "Regardless of whether the AMP is substantially modified or rejected by the FERC, all parties should be on notice that the Board will act promptly, using all appropriate prerogatives consistent with relevant FERC approved authority, to cause an appropriate proposal of this or a similar nature to be in place this summer," he said.

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The NYISO is a not-for-profit corporation established in 1999 to facilitate the restructuring of New York State's electric industry. In addition to administering the State's wholesale energy markets, the NYISO operates the State's high voltage electric transmission system. Last year, the NYISO's market volume (including energy, ancillary services, ICAP and TCC auctions) exceeded $5.2 billion, more than all of the other Northeast markets combined.

For Reference:

The Automated Mitigation Procedure (AMP, a.k.a. Circuit Breaker) Explained - The AMP is designed to prevent market abuse during times when the system is subject to very high load, excessive generator outages or binding transmission constraints and prices exceed $150 per MWh. At such times, supplier's bids in the Day-Ahead Market (DAM) would be automatically reviewed to determine if they are a) $100 or 300 percent higher than the energy reference price, or b) in the case of start-up cost bids, if they are 200 percent higher than the start-up cost reference. In addition, such "economic withholding" must also cause a price impact of $100 or a 200 percent increase.

Reference prices are computed based upon the lower of the mean or median of the previous 90 days of accepted bids and are adjusted for fuel price changes. In instances when the AMP determines that a unit is economically withholding, that unit's bid price would be mitigated to its DAM reference price. Based upon a preliminary analysis, the AMP would have resulted in mitigation in less than one quarter of one percent of the hours during 2000 (0.25 percent). The AMP does not eliminate price spikes due to true scarcity—it addresses only those caused by economic withholding. The AMP is preferred to: 1) fixed bid caps, which can reduce the supply available from internal resources or imports with marginal costs higher than the bid cap; 2) soft bid caps, which may also reduce the resources available in New York; and 3) retroactive remedies, which can cause price uncertainty.