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NYISO Announces FERC Filing to Guarantee Deliverability of ICAP to PJM

-Filing Marks Resolution of Major “Seams” Issue Following March ICA with PJM -

(Guilderland, NY; 5/30/2002) – The New York Independent System Operator (NYISO) announced that it has filed with Federal Energy Regulatory Commission (FERC) requesting tariff changes to guarantee that energy from generators who have supplied installed capacity (ICAP) to loads in a different control area will be assured delivery when needed, thus eliminating one of the key “seams” issues between the NYISO and its neighboring wholesale electricity markets.

The announcement comes just two months after the NYISO signed an Interregional Coordination Agreement (ICA) with the Pennsylvania New Jersey Maryland Interconnection (PJM) intended to help resolve critical seams issues. Seams issues occur when a difference in rules between neighboring electric markets causes problems with interregional trading.

Historically, New York suppliers have been unable to sell ICAP to PJM because the lack of an explicit firm transmission reservation conflicted with PJM’s ICAP deliverability rules. If approved by FERC however, the change will help enhance the competitive markets for ICAP throughout the Northeast and particularly in PJM, where the market will now be able to buy from New York ICAP providers as well.

Specifically, the NYISO proposes to amend its Services Tariff adding language stating that the NYISO shall “take action,” including, if necessary “manual intervention, to schedule Export Transactions from Generators that have Available Generating Capacity and that have supplied Installed Capacity to entities serving Load located in an External Control Area when the External Control Area issues a notification requiring such Generators to supply Energy...” Essentially, this rule change guarantees that power contracted for through ICAP will flow across control areas when needed.

“This accomplishment demonstrates that the Interregional Coordination Agreement can and does work for resolving critical “seams” issues between our markets,” said William J.

Museler, NYISO President and CEO. “My counterpart, Phil Harris and his staff at PJM, should be commended for their hard work and cooperation in helping bring this issue to solution. I believe this is but the first of many critical seams issues to be resolved in the near future.”

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On February 27, 2002, the FERC released the results of an RTO Cost-Benefit Analysis, performed by ICF Consulting. The analysis identified “improved market efficiencies” such as harmonizing the rules along market seams as one of the most effective means of creating benefits for consumers.

Shortly thereafter, the NYISO and PJM signed their Interregional Coordination Agreement as a formal means of addressing seams issues. Under the agreement, the two parties each designated an Interregional Coordination Officer (ICO) responsible for identifying seams and market inefficiency issues and other opportunities for market improvements. These issues are then ranked in terms of their priority and the ICOs develop proposals for resolving them. The agreement requires that a work plan be developed and quarterly reports be issued to the FERC and State public utility commissions. The agreement also requires both parties to work closely with stakeholders to ensure that their priorities are represented.

For a copy of the filing go to: <http://www.nyiso.com/services/documents/filings/index.html>

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The New York Independent System Operator (“ NYISO”)—www.nyiso.com-- is a not-for-profit corporation established in 1999 to facilitate the restructuring of New York State’s electric industry. Based in New York’s Capital Region, 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 exceeded \$5.6 billion, more than all of the other Northeast markets combined.