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NYISO and PJM Execute Interregional Coordination Agreement

- **Accord sets guidelines for identifying, prioritizing and resolving “seams” issues to bring greater efficiency to market interfaces -**

(Guilderland, NY/Valley Forge, PA—March 14, 2002)—The New York Independent System Operator, Inc. (NYISO) and PJM announced today that they have entered into an Interregional Coordination and Issue Resolution Agreement—effective March 15, 2002—with the goal of resolving “seams” issues between the two control areas on an expedited basis. Seams issues occur when a difference in rules between neighboring electric markets causes problems with interregional trading.

Under the agreement, the two parties will each designate an Interregional Coordination Officer (ICO) who will be responsible for identifying seams and market inefficiency issues, and other opportunities for market improvements. These issues will be ranked in terms of their priority and the ICOs will then develop proposals for resolving identified seams issues and work with their counterparts to evolve the proposals into solutions. The agreement requires that a work plan be developed and quarterly reports be issued to the Federal Energy Regulatory Commission (FERC) and State public utility commissions. The agreement also requires both parties to work closely with stakeholders to ensure that their priorities are represented.

Key features of this agreement that differentiate it from its predecessor agreement – the Memorandum of Understanding – include:

- **Accountability** - a designated executive from each organization will be responsible for identifying and resolving critical seams issues;
- **Plan** - the development of a formal plan to identify and address critical seams issues; and
- **Dispute Resolution Process** - absent consensus of the parties, differences between NYISO and PJM will be resolved through a fast-tracked formal dispute process using FERC as a backstop.

“As identified in FERC’s recently-released RTO cost-benefit analysis, ‘improved market efficiencies’ is one of the most effective ways for competitive electric markets to deliver greater economic benefits to our consumers,” said William J. Museler, NYISO president and chief executive officer. “This agreement serves as a roadmap for working with our partner, PJM in delivering more of these efficiencies to the marketplace as soon as possible.”

“Three primary components are key to ensuring the success of this agreement – accountability, a formal plan and a dispute resolution process,” said Phillip G. Harris, PJM president and chief executive officer. “By focusing on these areas PJM and NYISO will bring marketplace value to customers.”

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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

PJM, the country’s first fully functioning regional transmission organization, operates the world’s largest competitive wholesale electricity market and one of North America’s largest power grids. The company currently coordinates a pooled generating capacity of more than 59,000 megawatts and operates a wholesale electricity market with more than 200 market buyers, sellers and traders of electricity. PJM has administered more than \$6.5 billion in energy and energy service trades since the regional markets opened in 1997. More than 70 nations have sent delegates to PJM to learn about the market model and the operation of the grid in the mid-Atlantic states, including all or parts of PA, NJ, MD, DE, VA and the District of Columbia. Visit PJM at www.pjm.com.