

May 15, 2007

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Mr. John McMahon
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Dear NYISO Transmission Owners and other Customers and Interested Parties:

On March 2, 2007, the Board of Directors of the New York Independent System Operator (NYISO) approved the draft 2007 Reliability Needs Assessment (RNA) submitted to it by the NYISO Management Committee. The Board's action became final on March 16, 2007. The 2007 RNA, as approved by the Board, has been posted on the NYISO website accessible at www.nyiso.com. On March 7, 2007, the NYISO solicited market-based and regulated backstop solutions to the reliability needs identified in the 2007 RNA pursuant to Section 6.1 of the NYISO Comprehensive Reliability Planning Process contained in Attachment Y to the NYISO Open Access Transmission Tariff. The NYISO established May 1, 2007 as the requested due date for responses to be submitted to the NYISO.

Responses from the responsible transmission owners identified in the RNA and certain market-based responses were received by the NYISO on or before May 1, 2007. The NYISO is continuing to evaluate the responses and to work with respondents to evaluate whether the solutions proposed meet the reliability needs identified in the RNA. Section 6.4(a) of the Comprehensive Planning Process for Reliability Needs states that:

[i]n the event that no market-based solutions qualified under section 6.3 is proposed, the NYISO will initiate the second step of the solicitation process by requesting alternative regulated responses to the Reliability Needs. Such proposals may include reasonable alternatives that would effectively address the identified Reliability Need.

Given the information received to date, the NYISO cannot determine with certainty that, at this time, sufficient market-based solutions will qualify to meet the Reliability Needs identified in the RNA. The NYISO encourages additional market solutions to be submitted and emphasizes that such solutions can be submitted at any time and that the NYISO will evaluate all proposed market solutions it receives. Concurrently, the NYISO seeks to fulfill the requirements of

Section 6.4(a) and to ensure that all of the options for meeting the Reliability Needs have been identified and evaluated in time for the NYISO Board of Directors to consider and approve a Comprehensive Reliability Plan this summer. Accordingly, the NYISO hereby solicits Alternative Regulated Responses to meet the Reliability Needs identified in the RNA. Nothing in this letter precludes any interested party from submitting an alternative regulated response after June 8, 2007, but responses are encouraged on or before that date.

Proposed alternative regulated solutions may take the form of large generation projects, small generation projects including distributed generation, demand-side programs, transmission projects, market rule changes, operating procedure changes, and other actions and projects that meet the identified reliability needs. Section 6.4(b) of the Comprehensive Planning Process for Reliability Needs states that:

[i]n response to the NYISO's request, Other Developers may develop alternative regulated proposals for generation, demand side alternatives, and/or other solutions to address a Reliability Need and submit such proposals for regulated solutions to the NYISO. Transmission Owners, at their option, may submit additional proposals for regulated solutions to the NYISO. Transmission Owners and Other Developers may submit such proposals to the NYDS for review at any time.

Proposed solutions should be fully documented to provide for verification and evaluation, and should provide sufficient technical information to model the proposed solutions in the network modeling and resource adequacy modeling.

Appendix A to this letter sets forth the criteria for the NYISO's evaluation of the viability of proposed alternative regulated responses and of whether those solutions satisfy the identified Reliability Needs in whole or in part. NYISO Customers and other Interested Parties are reminded that Section 6.4(b) of the Comprehensive Planning Process for Reliability Needs states that:

[s]ubject to the execution of appropriately drawn confidentiality agreements and FERC's standards of conduct, the NYISO and the appropriate Transmission Owner or Transmission Owners shall provide Other Developers access to the data that is necessary to develop their proposals. Such data shall be used only for the purposes of preparing an alternative regulated proposal in response to a Reliability Need.

An original and two copies of each alternative regulated response should be sent to me at the following address:

New York Independent System Operator
10 Krey Boulevard
Rensselaer, New York 12144

In addition to paper copies, proposals may be sent via e-mail to John Adams (jadams@nyiso.com). All persons interested in submitting market-based or regulated backstop solutions are encouraged to contact John Adams (518-356-6139, jadams@nyiso.com), John Buechler (518-356-6153, jbuechler@nyiso.com) or Carl Patka (518-356-6220, cpatka@nyiso.com) of the NYISO Staff with any questions or comments regarding this solicitation of responses to the Reliability Needs identified in the RNA, or about the Comprehensive Planning Process generally.

Very truly yours,



Dr. Henry Chao
Director of System and Resource Planning

cc: Paul Gioia, counsel to the Transmission Owners