

MEMO

Date: 8 June 2001

From: William J. Museler, President and Chief Executive Officer

To: Steven J. Balsler, Manager of Market Monitoring and Performance
James H. Savitt, Market Monitor

Re: **Extraordinary Corrective Action to Address a Market Design Flaw:
HAM Transactions Failing Checkout (ECA 20010608A; reissuance of ECA
20001208A)**

Thank you for the presentation of the Market Monitoring and Performance Unit and the Market Advisor regarding the progress that has been made with the Market Participants in addressing the market design flaw concerning import and export transactions, including wheel-through transactions, that fail the check-out procedure between the completion of BME and the SCD operating hour. I am pleased that the Management Committee has approved the concept of a tariff amendment that will implement the provisions of this ECA until a more comprehensive solution can be developed, and that the NYISO will make a filing with the Federal Energy Regulatory Commission to implement this approval in the near future. I also recall, as stated in my Memorandum to you of 8 December 2000, that the Business Issues Committee gave unanimous support to the NYISO to reissue ECA 20000907A until the Market Participants can consider and approve, and the NYISO can implement, a tariff change required to address the Market Design Flaw.

As stated in my Memorandum to you of 6 September 2000, I agreed with your conclusion that the conduct identified at that time constituted a "Market Design Flaw" as defined in Attachment Q to the ISO OATT, Temporary Extraordinary Procedures for Correcting Market Design Flaws and Addressing Transitional Abnormalities (the "TEPs"). As further stated in that Memorandum, I agreed with your analysis that prices produced by exploiting this Market Design Flaw would, absent appropriate action, remain at levels different from what would otherwise occur during periods of efficient competition.

I have now determined, based on consultations with ISO Staff and the support of the Business Issues Committee, that it is appropriate to maintain in effect the corrective measures adopted as ECA 20000907A, and reissued as ECAs 20001208A and 20010308A, while consultation and cooperation with the Market Participants and jurisdictional agencies is ongoing to develop and implement appropriate rules or rule changes in accordance with the ISO Agreement.

Please reissue the text of the Extraordinary Corrective Action ("ECA") and post it on the OASIS, for implementation effective immediately. The ECA shall be effective for a period of ninety (90) days.

William J. Museler, President and CEO
New York Independent System Operator

Cc: Market Participants via OASIS