

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:
External Proxy Bus Prices During Transmission Constraints
(ECA 20010608B; reissuance of ECA 20001208B)**

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 in the Real-Time energy markets concerning external proxy bus prices during transmission limitation periods. 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 20001006B 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 8 October 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 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 20001006B, and as reissued as ECAs 20001208B and 20010308B, 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