

Date: 26 March 2001

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

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

Re: **Extraordinary Corrective Action to Address a Market Design Flaw and Transitional Abnormality:
Waiver of Installed Capacity Deficiency Charges During Summer 2001
Capability Period (ECA 20010326)**

Thank you for the presentation of the Market Monitoring and Performance Unit and the Market Advisor regarding the market implementation flaw that has appeared in the preparation of the Installed Capacity (ICAP) auctions for the Summer 2001 Capability period.

I agree with your conclusion that the market implementation flaw is 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"). This Market Design Flaw must be corrected because application of the ICAP auction rules for the Summer 2001 Capability Period will result in application of ISO Procedures that result in inefficient markets.

I have further determined, based on consultations with ISO Staff, that (i) the Market Design Flaw identified by the Market Monitoring and Performance Unit cannot be corrected by revised ISO operations not requiring changes in ISO Procedures, and (ii) corrective measures are required immediately and must take effect before the ISO can begin or complete consultation and cooperation with the Market Participants and jurisdictional agencies, as necessary, to develop any appropriate rule or rule change in accordance with the ISO Agreement.

Please develop the text of the Extraordinary Corrective Action ("ECA") and post it on the OASIS, for implementation effective for operating hours beginning at midnight (HB00) on 30 March, 2001. The ECA shall be the least restrictive of such measures that will reasonably address on an interim basis the Market Design Flaw.

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

Cc: Market Participants via OASIS