

MEMO

Date: December 8, 2000

From: William J. Museler, President & 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 20001208B; re-issuance of ECA 20001006B)

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 Business Issues Committee gave unanimous support to the NYISO to re-issue ECA 20001006B until the Market Participants can consider and approve, and the NYISO can implement, a tariff change required to permanently address the Market Design Flaw.

As stated in my Memorandum to you of October 6, 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 while consultation and cooperation with the Market Participants and jurisdictional agencies is on-going to develop and implement appropriate rules or rule changes in accordance with the ISO Agreement.

Please re-issue the text of the Extraordinary Corrective Action ("ECA") and post it on the OASIS, for implementation effective at the expiration of ECA 20001006B. 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