

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

THREE EMPIRE STATE PLAZA, ALBANY, NY 12223-1350

Internet Address: <http://www.dps.state.ny.us>

PUBLIC SERVICE COMMISSION

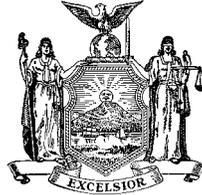
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DAWN JABLONSKI RYMAN

General Counsel

JACLYN A. BRILLING

Secretary

July 20, 2004

Honorable Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Room 1-A209
Washington, D.C. 20426

Re: Docket No. EL04-110-000 - New York
Independent System Operator, Inc.;
Docket No. EL04-113-001 - Central Hudson Gas &
Electric Corporation, et al. v. New York
Independent System Operator, Inc.;
Docket Nos. EL04-115-001, ER04-983-001
New York Independent System Operator, Inc.

Dear Secretary Salas:

For filing, please find the Notice of Intervention and Comments of the New York State Public Service Commission in the above-entitled proceedings. Should you have any questions, please feel free to contact me at (518) 473-8178.

Very truly yours,

David G. Drexler
Assistant Counsel

Attachment

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

New York Independent System Operator, Inc.)	EL04-110-000
)	
Central Hudson Gas & Electric Corporation)	
LIPA)	
New York Power Authority)	
New York State Electric & Gas Corporation)	
Niagara Mohawk Power Corporation)	
Rochester Gas and Electric Corporation)	EL04-113-001
)	
v.)	
)	
New York Independent System Operator, Inc.)	
)	
New York Independent System Operator, Inc.)	EL04-115-001
)	ER04-983-001

**NOTICE OF INTERVENTION AND COMMENTS OF THE
PUBLIC SERVICE COMMISSION OF THE STATE OF NEW YORK**

INTRODUCTION

On July 13, 2004, the New York Independent System Operator, Inc. (NYISO) filed a comprehensive Settlement Agreement¹ that resolves the issues associated with the overselling of 912 MWs of Transmission Congestion Contracts (TCCs)² in a series of TCC auctions administered by the NYISO. The Settlement Agreement

¹ The Settlement Agreement was filed by the NYISO on behalf of itself, the transmission-owning (TO) utilities in New York State, impacted parties, and other interested stakeholders.

² TCCs are financial instruments that serve as a hedge against congestion costs in the day-ahead energy market administered by the NYISO.

addresses both the current and prior periods that were affected by the 912 MWh of excess TCCs sold by extinguishing a portion of the excess TCCs through several payment mechanisms, compensating TOs, and thus consumers, for any remaining Congestion Rent Shortfalls³ in the current period related to the excess TCCs, and paying refunds to each TO that suffered net Congestion Rent Shortfalls in the earlier periods related to the excess TCCs.

The New York State Public Service Commission (NYPSC) submits its Notice of Intervention and Comments pursuant to the Notice of Filing issued on July 14, 2004, and Rule 214 of the Federal Energy Regulatory Commission's (FERC or Commission) Rules of Practice and Procedure. Copies of all correspondence and pleadings should be addressed to:

Dawn Jablonski Ryman
General Counsel
Public Service Commission
of the State of New York
Three Empire State Plaza
Albany, New York 12223-1350

Raj Addepalli, Manager of
Staff ISO Team
New York State Department
of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

DISCUSSION AND CONCLUSION

The NYPSC supports the Settlement Agreement among the parties, which represents an equitable solution by ensuring that

³ Congestion Rent Shortfalls occur when the congestion charges collected in the day-ahead market are insufficient to pay the holders of TCCs. This may occur due to various factors, such as a transmission line outage or a derating of transmission limits.

the parties burdened with excess payments for Congestion Rent Shortfalls related to the excess TCCs are compensated. In addition, the Settlement Agreement preserves the integrity of the TCC market by not disturbing prior TCC auction results or re-billing TCC holders for prior congestion payments.

We commend the NYISO and the parties for their commitment to resolving this dispute in an expeditious manner and for avoiding the need for extensive litigation. For the above reasons, the Commission should approve the July 13, 2004 Settlement Agreement filed by the NYSIO.

Respectfully submitted,

Dawn Jablonski Ryman
General Counsel

By: David G. Drexler
Assistant Counsel
Public Service Commission
of the State of New York
3 Empire State Plaza
Albany, NY 12223-1305
(518) 473-8178

Dated: July 20, 2004
Albany, New York

CERTIFICATE OF SERVICE

I, Tammy Mentis, do hereby certify that I will serve on July 20, 2004 the foregoing Notice of Intervention of the Public Service Commission of the State of New York by depositing a copy thereof, first class postage prepaid, in the United States mail, properly addressed to each of the parties of record, indicated on the official service list compiled by the Secretary in this proceeding.

Date: July 20, 2004
Albany, New York

Tammy Mentis