

Stephen G. Whitley
President & CEO

February 20, 2014

Acting Chairman Cheryl LaFleur
Federal Energy Regulatory Commission
888 First Street, NW
Washington, DC 20426

Dear Acting Chairman LaFleur:

This winter has put significant strain on the power system in New York and across the Eastern Interconnection. Sustained periods of severe cold weather have affected broad swaths of the eastern United States and Canada. We are very happy to report to you that the bulk power system in New York has performed very well under these extreme conditions. The New York Independent System Operator (NYISO) has provided support to its neighbors (PJM Interconnection (PJM), ISO-New England, and Canada) during the severe weather, and our neighbors have provided support to New York as well.

One of the most significant challenges faced by the NYISO has been managing the availability of fuel supplies to the generation fleet. The inversion of oil and natural gas prices that occurred during the most severe cold snaps provided appropriate market incentives to limit reliance on the gas system, but challenges persisted. New York's generating plant owners and operators cooperated fully with the NYISO's efforts to ensure that adequate fuel inventories remained available to reliably meet demand.

We have more cold weather ahead, and we want to inform you of some of the next steps that we are taking. The NYISO and the New York State Public Service Commission (PSC) are working closely to review winter operations in the state. The NYISO will be working with the PSC, the New York State Reliability Council, and appropriate state agencies to enhance communications protocols and practices during severe winter events. In addition, the NYISO will continue to work closely with our market participants, neighboring states and regions, and our partners in the Department of Energy on the Eastern Interconnection gas-electric study efforts to address gas-electric system overlay issues, including enhancing coordination opportunities. The NYISO will also explore lessons learned from these cold weather events at its Electric-Gas Coordination Working Group, which includes state regulatory staff members and electric and gas industry stakeholders.

As you are aware, record cold temperatures and the resulting demand for natural gas was accompanied by significant increases in natural gas prices. Concerns with the impacts of these price increases led a number of parties, including the NYISO, to seek FERC waivers to permit compensation above a \$1000/MWh energy offer cap that has been in place for more than a decade. While the NYISO and its Market Monitoring Unit, Potomac Economics, are carefully reviewing the performance of our wholesale electric markets, the NYISO respectfully asks your

office to direct FERC's Office of Enforcement to conduct a review of natural gas markets performance during these periods. Such a review will enhance confidence that markets are performing in an open, competitive manner consistent with robust regulatory oversight. We would encourage FERC to coordinate any such review with other federal agencies responsible for regulatory oversight of natural gas markets. The NYISO stands ready to assist FERC in such a review.

Sincerely,

A handwritten signature in black ink, appearing to read "S G Whitley".

Stephen G. Whitley
President & CEO

cc: Commissioner Philip D. Moeller
Commissioner John R. Norris
Commissioner Tony Clark
Norman C. Bay, Director, Office of Enforcement
Michael C. McLaughlin, Director, Office of Energy Market Regulation
Jignasa P. Gadani, Director, Division of Electric Power Regulation-East