

- Market Notice -

Market Participants:

As you know, the ISO filed its FTR Tariff with the FERC on December 8, 1998. We have not yet heard FERC's decision on whether the ISO will be allowed to implement FTRs according to that filing. Further, the ISO's FTR filing is not on the agenda for FERC's next scheduled meeting on March 10.

That means that the next opportunity for FERC to offer a decision would be its March 31 meeting and there is no guarantee either that it will be considered at that time or that FERC will not make changes in the FTR program. Holding the auction before a FERC decision that could change the terms and conditions of the FTR program could result in re-running the auction and in unnecessary effort and cost to all.

Moreover, despite the heroic efforts of both Market Participants and ISO staff to complete this project, we have had concerns about the current state of software implementation and market readiness. While the ISO is currently somewhat behind for April 1 implementation, we could, possibly, make up that time if FERC action was timely. However, we have also heard that some potential FTR buyers have concerns about when their own systems will be ready for them to implement FTRs.

In a March 5, 1999 conference call, Market Participants strongly supported delaying FTR implementation at least until May 1, 1999 and holding the primary FTR auction in mid-April. Further, Market Participants indicated that they will be ready to implement FTRs by May 1. And, the ISO can commit to being ready by May 1. Thus, the ISO has adopted the following FTR implementation plan:

- We have postponed the FTR primary auction that was scheduled for March 15, 1999. Thus, FTR bidders do not need to have financial security in place by March 9, 1999, as previously scheduled.
- We have tentatively scheduled the FTR primary auction for April 12, 1999. Bidders would need to have their financial security in place by April 6.
- FTR implementation would begin on May 1, 1999 as long as the FERC renders a decision by March 31 and does not substantially change the proposed FTR program.
- In the event that FERC either does not render a decision on the ISO's FTR filing by March 31, 1999 or that FERC renders a decision that substantively changes the FTR

program, the ISO will confer with Market Participants before deciding on its next recommended course of action.

This delay in implementation will offer an opportunity for additional potential bidders to participate in the auction if they so desire. We will be in contact with you about future training opportunities.

We look forward to working with you over the coming weeks to implement a successful FTR product.