

Memorandum

To: ISO Board of Governors
From: Yakout Mansour, President and Chief Executive Officer
Date: November 21, 2008
Re: CEO Report on the Decision on MRTU

This memorandum does not require Board action.

As this is a special meeting on MRTU readiness, this report is limited to this very specific subject. Steve Berberich's memo and the presentation at this public meeting provide full details about the readiness status of the program.

This report, however, is meant to highlight to the Board additional considerations for the Board to evaluate in reaching a resolution as to which option to adopt. First of all, the last four weeks, in my judgment, have been the most productive of the year, largely due to the extensive amount of results produced which highlighted issues not known before, and due to stronger engagement at all levels of the market with higher level of readiness at all internal and external levels.

The gap in understanding in the settlement area between the ISO and the participants was found to be very significant. Although significant progress has been made, it is too early to reach a conclusion on the status of settlement readiness at this point. More settlement statements need to be produced. This makes the February 1 *go live* unworkable, even if the ISO's internal systems, as indicated in Steve Berberich's memo, are ready by that time. I reach this conclusion because the time lost on the settlement efforts limited the value to market participants. The options leading to a March 1 *go live* are more feasible, but I would recommend that the ISO file a comprehensive readiness report to FERC on December 1. Having said that, the Board may entertain other options, based on the deliberations at the public session.

I would also like to inform the Board that the intelligence gained from the recent simulation exercises highlighted areas of concern to some market participants on policies that were adopted a long time ago (e.g. Residual Unit Commitment). This is not a software or technology issue, but I respect the participants' views on the need to discuss these concerns. However, I hope that the readiness process and any choice to revisit the policy will run on separate tracks.