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July 31, 2015

By Electronic Delivery

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: *New York Independent System Operator, Inc.*'s Proposed Tariff Revisions
to Create an Independent Mechanism for Recovery of Annual FERC Fee;
Docket No. ER15-____-000**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. ("NYISO") hereby submits revisions to Rate Schedule 1 of its Open Access Transmission Tariff ("OATT").² The NYISO recovers its budgeted annual operating costs from Market Participants on a monthly basis in accordance with Section 6.1.2 of its OATT. The NYISO's operating budget includes its share of the Commission's costs assessed under part 382 of the Commission's regulations (the "annual FERC fee").³ In this filing, the NYISO is proposing to create an independent mechanism for recovering the annual FERC fee. Separating the recovery of the annual FERC fee from the recovery of the NYISO's operating costs will enhance budgeting and management of costs and cash flows. A majority of the Management Committee approved the tariff revisions proposed in this filing by a show of hands.

The NYISO requests that the Commission issue an order accepting the proposed tariff revisions by September 30, 2015 (*i.e.*, sixty days after the date of this filing letter) with an effective date of January 1, 2016. A September 30 order will allow the NYISO to exclude the annual FERC fee from the 2016 operating budget before the Management Committee votes in

¹ 16 U.S.C. § 824d.

² Capitalized terms used in this filing letter but not defined herein shall have the meanings given to them in the OATT.

³ 18 C.F.R. § 382.

October to recommend the budget to the NYISO Board of Directors for approval. To the extent necessary, the NYISO requests a waiver of the Commission's maximum 120 day notice requirement for the reasons set forth in Section VI below.⁴

I. List of Documents Submitted

The NYISO submits the following documents:

1. This filing letter;
2. A clean version of the proposed revisions to the OATT (Attachment I); and
3. A blacklined version of the proposed revisions to the OATT (Attachment II).

II. Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

Robert E. Fernandez, General Counsel
Raymond Stalter, Director of Regulatory Affairs
*Cheryl Hussey, V.P. and Chief Financial Officer
Christopher Russell, Manager of Customer Settlements
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III. Service

The NYISO will send an electronic link of this filing to the official representatives of each of its Market Participants, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the New Jersey Board of Public Utilities. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

⁴ 18 C.F.R. § 35.3(a)(1).

IV. Background

The NYISO includes the annual FERC fee in its annual budgeted operating costs, which are recovered through the “ISO Annual Budget Charge” in accordance with Section 6.1.2 of its OATT. Recovering the annual FERC fee with the NYISO’s operating costs, and paying the fee from this revenue, distorts the NYISO’s operating budget and impedes the management of the NYISO’s costs and cash flows.

The annual FERC fee is the largest single payment made from the annual operating budget revenues. The fee is typically payable in one lump sum in August of each year. Due to the timing and amount of the assessment, the NYISO must draw on external credit lines to pay the fee in full, thereby incurring additional debt service costs. Repayment of amounts borrowed on external lines of credit also adds pressure on cash flow management.

All other ISO/RTOs recover the annual FERC fee and budgeted operating costs separately. As a result, comparisons of administrative charges between the NYISO and other system operators is often confused or distorted.

Under the proposed tariff revisions, the NYISO will recover the annual FERC fee and its annual budgeted operating costs separately.

V. Description of Proposed Revisions

New Section 6.1.15 creates an independent mechanism for recovering the annual FERC fee outside of the mechanism for recovering the NYISO’s budgeted annual operating costs. Under the proposed tariff provisions, the NYISO will invoice Market Participants on a monthly basis to recover the estimated annual FERC fee. Once the NYISO receives the invoice for the actual amount of the annual FERC fee, it will calculate a true-up amount equal to the difference between the estimated fee and the actual fee. The NYISO will recover (or refund) this true-up amount to Market Participants over a six month period following receipt of the actual invoice. Annual FERC fee recoveries will be held in a restricted, interest bearing escrow account until the invoice payment is due.

The NYISO will recover ninety-four percent (94%) of the annual FERC fee from Market Participants with physical market activity based on monthly load ratio share, applying the same allocation percentages used in recovering the budgeted annual operating costs from physical market activity (*i.e.*, 72% Load/28% Suppliers). The formulas for allocating this cost are set forth in new Section 6.1.15.1.

The NYISO will recover six percent (6%) of the annual FERC fee from Market Participants engaging in Transmission Congestion Contracts and Virtual Transactions, applying the same allocation percentages used in recovering the budgeted annual operating costs from non-physical market activity. The formulas for allocating this cost are set forth in new Section 6.1.15.2.

The NYISO is also proposing to revise the definitions of “Actual Energy Withdrawals” and “Injection Billing Units” to establish the meanings of those terms as used in new Sections 6.1.15.1 and 6.1.15.2. In addition, the NYISO is proposing a few ministerial revisions: (i) to revise the definition of “Billing Period” to correct inaccurate cross-references within the definition; and (ii) to replace the terms “Article” and “Part” in Section 6.1 with the term “Section” in order to provide consistent use of this term throughout the ISO Tariffs.

Beginning January 1, 2016, with the start of the NYISO’s 2016 budget, the NYISO will implement the new tariff provisions and recover the annual FERC fee and annual budgeted operating costs separately.

VI. Effective Date

The NYISO respectfully requests that the Commission issue an order accepting the proposed tariff revisions by September 30, 2015 (*i.e.*, sixty days after the date of this filing letter) with an effective date of January 1, 2016. A September 30 order will allow the NYISO to exclude the annual FERC fee from the 2016 annual operating budget before the Management Committee votes in October to recommend the budget to the NYISO Board of Directors for approval.

To the extent necessary, the NYISO requests a waiver of Commission regulations to allow the NYISO to make this filing more than 120 days prior to the proposed effective date.⁵ Good cause exists to waive this notice requirement to ensure that these proposed tariff revisions are accepted prior to the NYISO finalizing its 2016 budget. No Market Participant will be prejudiced by this request because the proposed implementation timetable was developed in consultation with Market Participants.

VII. Requisite Stakeholder Approval

The NYISO and Market Participants collaboratively developed the proposed tariff revisions at meetings of the Budget & Priorities Working Group in February, March, and April 2015. A majority of the Management Committee approved the proposed tariff revisions by a show of hands vote on April 29, 2015. On July 21, 2015, the NYISO’s Board of Directors approved a motion directing NYISO management to file the proposed tariff revisions approved by the Management Committee.

⁵ 18 C.F.R. § 35.3(a)(1).

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VIII. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept the proposed tariff revisions identified in this filing.

Respectfully submitted,

/s/ Heather S. Glass

Heather S. Glass

Counsel to the

New York Independent System Operator, Inc.

cc: Michael Bardee
Gregory Berson
Anna Cochrane
Morris Margolis
David Morenoff
Daniel Nowak
Kathleen Schnorf
Jamie Simler
Kevin Siqveland