

October 25, 2012

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., Docket Nos. ER12-1653-000,
RM11-7-000, AD10-11-000, Notice of Potential Change in Effective Date***

Dear Ms. Bose:

The New York Independent System Operator, Inc. (“NYISO”) respectfully reports that in order to implement the Commission’s Order No. 755 directives with respect to compensation for providers of Regulation Service this year it would need an approval order by October 31, 2012. Because it is the practice of the NYISO to avoid implementing changes to software that implicate bid-to-bill processes after mid-November, the lack of a Commission determination by October 31, 2012 will require the NYISO to request a delay in the effective date until after the first of the year.

In its compliance filings in this docket,¹ the NYISO proposed an effective date between October 10, 2012 and November 14, 2012, to be established on two weeks’ written notice to the Commission and the market.² A window rather than a firm effective date was necessary to accommodate the underlying software revision installation schedule which can change depending on system conditions, the NYISO’s testing protocols and other influences.³

Although the Commission has not yet acted on the NYISO’s filings in this docket, the NYISO installed the software necessary for its Order No. 755 obligations on October 24, 2012. These Order 755 software revisions were installed in the “off” position. Given the need to issue a two-week notice establishing the effective date, the NYISO would need a Commission determination on or before October 31 to issue a market notice by November 1, 2012 and turn the software “on” effective as of November 14, 2012.

¹ See: *New York Independent System Operator, Inc.*, Docket No. ER12-1653-000, Letters to Kimberly D. Bose, April 30, 2012 and August 17, 2012 .

² The Commission has accepted an effective date established on a two-week notice in other NYISO dockets. See: *New York Independent System Operator, Inc.* ER12-1868-000 & ER07-521-011, August 1, 2012 Office of Energy Market Regulation, Acceptance for Filing.

³ Among others, changes to the Regulation Service Market required installation of code revisions to the scheduling, dispatch, pricing and settlement software.

Historically, the NYISO has not implemented changes to software code that would impact Market Participants' settlements after mid-November because of Market Participant concerns over their ability to comply with several obligations under Sarbanes-Oxley Act Section 404. These provisions, as a general matter, require a firm's management to assert that a system of internal controls on financial statement accuracy exists and is adequate and effective based on current testing. These provisions further require the firm's external auditor to test management's assertions by conducting independent testing of the controls in place. Market Participants have expressed concern that settlement changes initiated so late in the year may not allow adequate testing for appropriate controls.

The NYISO hereby provides advance notice to the Commission that in the absence of an order in this docket by October 31, 2012, the NYISO will be requesting a delay in the effective date (and the two-week notification window) until after the first of the year. Please let me know if this raises any concerns or if the NYISO can provide any further information.

Respectfully submitted,

/s/ Mollie Lampi

Mollie Lampi

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. §385.2010.

Dated at Rensselaer, NY this 25th day of October, 2012.

/s/ Joy A. Zimmerlin

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