

September 1, 2010

By Electronic Filing

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

**Re: *New York Independent System Operator, Inc.*, Docket No. ER10-__-__
Proposed Tariff Amendments to Eliminate Tariff Provisions Concerning
Pre-Scheduled Transaction Capability**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act¹, the New York Independent System Operator, Inc. (“NYISO”) hereby submits proposed revisions to its Open Access Transmission Tariff (“OATT”) and Market Administration and Control Area Services Tariff (“Services Tariff”) to remove provisions pursuant to which the NYISO offers Pre-Scheduled Transaction capability.² Pre-Scheduled Transaction capability allows Market Participants to submit requests for External Bilateral Transactions, including Wheels Through, and Transactions involving the purchase or sale of Energy at External Proxy Generator Busses well in advance of the NYISO’s Day-Ahead Market. By allowing the use of economic bids that assured economic priority not otherwise available to users of the Day-Ahead Market, Pre-Scheduled Transaction capability offers greater certainty that a Transaction request would ultimately be scheduled in the Day-Ahead Market.

Pre-Scheduled Transaction capability was added to the NYISO’s tariffs and systems in early 2002 to accommodate, within the NYISO’s financial-based reservation system, those Market Participants with physical transmission reservations in the NYISO’s neighboring Control Areas who desired to import to, export from, or wheel Energy through the NYCA.³ Pre-Scheduled Transaction capability, however, has proven unnecessary to assure the degree of scheduling certainty sought by NYISO’s Market Participants. Moreover, its rules for modifying previously submitted Transaction requests are less flexible than those available to Market

¹ 16 U.S.C § 824(d)

² Capitalized terms not otherwise defined herein shall have the meaning specified in Article 1.0 of the OATT and Article 2 of the Services Tariff.

³ *New York Independent System Operator, Inc.*, 98 FERC ¶ 61, 189 (February 26, 2002).

Participants bidding directly into the Day-Ahead Market. As a result, Pre-Scheduled Transaction capability has proven to be an unused service in the NYISO Markets. Market Participants have used this feature a total of five times since its introduction. The last request was received in April 2007.

While the NYISO has not been opposed to maintaining this functionality, forthcoming software modifications needed to support the NYISO's Broader Regional Markets initiatives⁴ represent an appropriate time to remove this redundant functionality and reduce costs to NYISO stakeholders. Therefore, after extensive discussions with, and approval by, its Market Participants, the NYISO is seeking to retire this unnecessary capability from its OATT and Services Tariff.

I. Documents Submitted

1. This filing letter;
2. A clean version of the proposed revisions to the NYISO's OATT and Services Tariff; and
3. A blacklined version of the proposed revisions to the NYISO's OATT and Services Tariff.

II. Background and Justification

Pre-Scheduling Transaction capability allows Market Participants to submit, for pre-scheduling and reservation of transmission service, requests for Bilateral Import, Export and Wheels Through Transactions and requests for Import and Export Transactions to or from the NYISO's LBMP Market. These requests can be submitted as many as 18 months in advance of the NYISO's Day-Ahead Market. At the time the request is submitted, the NYISO evaluates it against Available Transmission Capacity (ATC) and Ramp Capacity. Once accepted, the Transaction is assigned the highest economic priority available in the NYISO system, -\$1,000 MWh for injections and \$1,000 MWh for withdrawals. These economic bid levels provide the highest degree of certainty that the Transaction will be scheduled in the appropriate Day-Ahead Market since the bid limits allowed for Day-Ahead Market Participants other than those using Pre-Scheduling Transaction capability, are \pm \$997.00.

The intent of this feature was to facilitate inter-control area Transaction scheduling between the NYISO's financially based reservation system and neighboring physical based reservation systems. For Suppliers with physical transmission reservations in neighboring Control Areas, desiring to Export, Import or Wheel through Energy using the NYISO's Day-Ahead scheduling system, this functionality was thought to be necessary in order to provide greater scheduling consistency and certainty.

⁴ See, *New York Independent System Operator, Inc.*, Report on Broader Regional Markets; Long-Term Solutions to Lake Erie Loop Flow, Docket No. ER08-1281, et al (January 12, 2010).

However, after almost eight years experience, the degree of scheduling certainty that this capability provided has proven to be unnecessary to NYISO Market Participants. Market Participants are able to achieve comparable economic certainty for their Day-Ahead transactions through the use of Day-Ahead bids alone. Experience has shown that Market Participants have not found the level of certainty offered through the Pre-Scheduled Transaction feature to be necessary to their Day-Ahead Market bidding strategies and it has basically been an unused service since it was introduced.

In fact, Market Participant bidding behavior and feedback indicates this functionality is less attractive than Day-Ahead economic bidding alone for scheduling Transactions. The Pre-Scheduled Transaction feature limits a Market Participant's options for altering previously requested positions, potentially months in advance of the Dispatch Day. This limited flexibility makes the Pre-Scheduled Transaction feature less attractive to Market Participants than economic-based transaction requests.

The NYISO recently conducted an internal review of several provisions in its tariffs and identified opportunities to improve and clarify certain provisions.⁵ Prescheduled Transaction capability was identified during this process as an unused portion of the NYISO's tariffs. The NYISO was historically indifferent to maintaining this functionality. However, with the introduction of the Broader Regional Markets Initiative and specifically the Enhanced Interregional Transaction Coordination project ("EITC"), the complexity and costs for maintaining and supporting this capability have increased significantly. The EITC project will require the NYISO to upgrade or retire all software that interacts with Transaction bids, including the pre-scheduling feature. The upgrades for this pre-scheduling feature are estimated to add significant costs to the EITC project, costs that would ultimately be paid by Market Participants and passed on to ratepayers. Initial cost estimates by the NYISO to maintain this functionality are in excess of \$500,000. After discussing the costs and benefits of upgrading this capability with Market Participants at numerous stakeholder meetings, no Market Participants expressed an ongoing interest in maintaining this capability. With this filing, the NYISO requests the Commission allow it to remove this capability from its Tariffs.

III. Description of Proposed Tariff Revisions

A. Definitions

In order to remove this capability from its tariff the NYISO proposes to delete the definitions of the terms Pre-Scheduled Transaction Request, Pre-Scheduled Transaction, and Scheduling Differential from both the OATT and the Services Tariff. The term "Scheduling Differential" was introduced in order to assign differing scheduling priorities to transactions and to ensure that accepted Pre-Scheduled Transaction Requests were assigned the highest economic priority. This bid priority integrated the concept of pre-scheduling transmission service into the

⁵ The NYISO conducted this internal review and is making this filing as part of an on-going comprehensive review of its tariffs to identify opportunities to improve and clarify them.

NYISO's financially based transmission service scheduling system. The Terms proposed for deletion are contained in the following specific tariff sections:

- OATT Section 1.16 Pre-Scheduled Transaction Request
- OATT Section 1.16 Pre-Scheduled Transaction
- OATT Section 1.19 Scheduling Differential
- Services Tariff Section 2.16 Pre-Scheduled Transaction Request
- Services Tariff Section 2.16 Pre-Scheduled Transaction
- Services Tariff Section 2.19 Scheduling Differential

B. OATT

The NYISO proposes to remove all references to Pre-Scheduled Transactions from the OATT. First, the NYISO proposes to delete an exception for Firm Point-To-Point Transmission Service that is associated with a Pre-Scheduled Transaction from Sections 3.1.7.1 and 3.1.8.2 of the OATT. While Firm Point-To-Point Transmission Service is still available, it will no longer be available via the Pre-Scheduling feature. Consistent with this change, the NYISO is proposing to remove Section 3.1.8.1, which outlines the method by which the Pre-Scheduling feature is used to schedule Firm Point-To-Point Transmission service. In existing Sections 3.1.8.2 and 3.1.8.3 the NYISO proposes to delete an assignment of scheduling priority to Decremental Bids and Sink Price Cap Bids submitted at Proxy Generator Buses. This was added to assign the highest economic priority to these Bids. Finally, the NYISO proposes to renumber existing Sections 3.1.8.2 and 3.1.8.3 as Sections 3.1.8.1 and 3.1.8.2 respectively because Section 3.1.8.1 is being proposed for deletion.

The NYISO is proposing to amend Attachment C of the OATT, which addresses the methodology for assessing Available Transfer Capability ("ATC"), in several places to delete references to Pre-Scheduled Transactions. First, in Sections 9.1 and 9.2, the NYISO proposes to delete two instances of a phrase indicating that ATC is posted and/or calculated two (2) days to eighteen (18) months in advance of the Dispatch Day to accommodate Pre-Scheduled Transaction Requests at External Interfaces. NYISO is also proposing to delete an exception in Section 9.1 excluding Pre-Scheduled Transactions from the typical methodology for calculating ATC values. In Section 9.5 the NYISO is proposing to delete both the firm and non-firm Transmission Flow Utilization definitions concerning ATC calculations for Pre-Scheduled Transactions. These definitions are unnecessary if the Pre-Scheduling feature is deleted from the tariffs. Finally, in Section 9.6 the NYISO proposes to delete the description of how the Transmission Reliability Margin is used to calculate ATC associated with Pre-Scheduled Transaction requests.

C. Services Tariff

The majority of the tariff provisions concerning Pre-Scheduled Transactions are located in Sections 4.2 and 4.4 of the Services Tariff. The NYISO is proposing to delete, in their entirety, Sections 4.2.1 and 4.4.1 which describe the specifics of arranging such service. Section 4.2.1 provides the procedures for making Pre-Scheduled Transaction Requests in the Day-Ahead Market and Section 4.4.1 provides the counterpart provisions for in-day Pre-Scheduled

Transactions. These Sections outline when to submit such requests, how to submit such requests, how the requests are evaluated and accepted by the NYISO, how the requests are assigned a scheduling priority and any limitations on scheduling such requests. The NYISO also proposes a few other minor changes in these sections. First, in existing Section 4.2.2.1, the NYISO seeks to delete a reference to Pre-Scheduled Transactions excluding them from the general responsibilities of Customers submitting Bids. A calculation for the Scheduling Differential for Bids to supply Energy at Proxy Generator Buses in existing Section 4.2.2.3.1 is also proposed for deletion. In existing Section 4.2.2.7 a reference to the bid limitations and pricing rules for Decremental Bids and Sink Price Cap Bids located in Attachment B of the Services Tariff is proposed for deletion because the referenced section is also being removed in this filing. Another reference to the Scheduling Differential for Bids from External purchasers in existing Section 4.2.2.8 is proposed for deletion.

In Section 4.4 the NYISO proposes to remove one reference to Pre-Scheduled Transactions in existing Section 4.4.2.4 in addition to the removal of Section 4.4.1, as discussed above. Finally, the NYISO proposes to renumber Sections 4.2 and 4.4 to accommodate the deletion of the entire sections related to Pre-Scheduling and to update any cross-references to these sections in order to reflect the accurate numbering in its tariffs.

In Attachment B of the Services Tariff the NYISO proposes to delete Section 17.3.1 which describes the specific information a Market Participant must submit with a Pre-Scheduled Transaction request. Furthermore, the pricing rules associated with Sink Price Cap Bids and Decremental Bids in existing Section 17.3.2.7, are proposed for deletion. The NYISO proposes to re-title existing Section 17.3.3 to “Bilateral Transaction Scheduling” dropping the reference to Pre-Scheduled Transaction Requests. Further, a majority of the text in existing Section 17.3.3.1 titled “ISO’s General Responsibilities” describes the NYISO’s process for evaluating Pre-Scheduling requests, and is, therefore, proposed for deletion. The NYISO also proposes to renumber Attachment B, due to the deletion of Section 17.3.1.

Finally, the NYISO proposed to remove from Section 21.6.1 of Attachment F of the Services Tariff a reference to the pricing rules for Sink Price Cap Bids and Decremental Bids that are proposed for deletion from Attachment B.

IV. Effective Date

The NYISO Requests an effective date of January 19, 2011, more than 60 days from the date of this filing. The NYISO is requesting this date because it is the date that the software for the NYISO’s EITC project is targeted for deployment and, unless the Pre-Scheduling feature is updated as part of this project, its functionality will no longer be available to Market Participants.

V. Requisite Stakeholder Approval

The NYISO’s Management Committee unanimously approved, with abstentions, this proposal at the July 21, 2010 meeting. The NYISO’s Board of Directors approved this proposal at its August 16, 2010 meeting.

VI. Communications and Correspondence

All communications and service in this proceeding should be directed to:

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VII Service

The NYISO will send an electronic link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the electric utility regulatory agency of New Jersey. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

VIII. Conclusion

Wherefore, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept this filing to be effective January 19, 2011.

Respectfully submitted,

/s/ Kristin A. Bluvas

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