

March 23, 2016

By Electronic Filing

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

Re: *Price Formation in Energy and Ancillary Service Markets Operated by Regional Transmission Organizations and Independent System Operators; Docket No. AD14-14-000; Submission of Corrected Report*

Dear Ms. Bose:

In accordance with the Federal Energy Regulatory Commission's ("Commission's") November 20, 2015 Order Directing Reports ("Order") and consistent with the Commission's January 27, 2016 Notice of Extension of Time, on March 4, 2016 the New York Independent System Operator, Inc. ("NYISO") timely filed a Report in the above Docket. The NYISO has identified errors in the uplift and transparency sections of the Report it submitted on March 4 that are corrected in the Corrected Report that the NYISO has filed in conjunction with this letter.

The errors the NYISO identified and corrected are:

1. The table that appeared on page 45 of the Report indicated that Day-Ahead Margin Assurance Payments ("DAMAP") comprised approximately 2.5% of total uplift payments over the October 2014 to September 2015 period. However, that figure only addressed DAMAP that was specifically attributed to a NYISO or a Transmission Owner reliability request. DAMAP is also paid when circumstances change from Day-Ahead¹ to real-time and the NYISO's economic commitment process determines that the least-cost real-time market solution requires a Generator to buy-out of a portion of its Day-Ahead schedule, at a time when real-time prices are higher than Day-Ahead prices for the relevant product (Energy, Regulation or Operating Reserves). When this occurs, the NYISO pays a DAMAP to ensure the Generator is made whole and receives proper economic incentives to follow the NYISO's real-time dispatch instructions. When *all* causes of DAMAP are included, total DAMAP payments increase to approximately \$9 million and DAMAP comprises approximately 10% of total NYISO uplift payments. This change also requires corresponding corrections to numbers and percentages that appear on pages 44, 45 (table), 47, 48 and 50 of the Report.²

¹ Capitalized terms that are not defined in this letter have the meaning assigned to them in the NYISO's Tariffs.

² Page numbering varies slightly between the original Report and the Corrected Report.

2. On page 46 of the Report the NYISO included an inaccurate statement that uplift resulting from actions taken in the Day-Ahead Market is borne by Day-Ahead load and transactions, and uplift arising in the Real-Time Market is borne by real-time load and transactions. A corrected statement appears on page 46 of the Corrected Report. It explains that actual, real-time Energy withdrawals (loads) are generally allocated uplift costs. There is a very small subset of uplift costs that are recovered from both virtual supply transactions and physical load. This uplift comes from additional commitments in the Day-Ahead Market to meet the NYISO's forecast load.

3. Finally, in the Transparency section of the Report the NYISO corrects the Out-of-Merit Generation ("OOM") entry that appears in the table on page 62 to explain that the NYISO publicly posts all Transmission Owner requested OOM reliability commitments and all NYISO OOM reliability commitments of generators that are not combustion turbines.

Please contact the undersigned with any questions regarding this letter or the accompanying Corrected Report.

Respectfully submitted,

/s/ Alex M. Schnell

Alex M. Schnell

Assistant General Counsel/ Registered Corporate
Counsel

New York Independent System Operator, Inc.

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