

June 20, 2011

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

Re: *New York Independent System Operator, Inc., Compliance Filing and Continued Request for Flexible Effective and Implementation Dates, Docket No. ER11-2224-00_*

In compliance with the Commission's May 19, 2011 Order on Rehearing ("May 2011 Order")¹ regarding the NYISO's proposed updated Installed Capacity ("ICAP")² Demand Curves, the NYISO respectfully submits this compliance filing. This filing proposes compliance tariff revisions for the New York City Demand Curves as directed by the May 2011 Order. It also responds to the Commission's clarification and directive regarding the winter-to-summer ratios to be used for the Demand Curves.

As discussed in Section V below, the NYISO proposes to implement revised ICAP Demand Curves that incorporate the changes proposed in its March 29, 2011 compliance filing,³ as revised by this filing, during the 2011 Summer Capability Period. The revised ICAP Demand Curves would be effective beginning on the date established by the Commission through the end of Capability Year 2011/2012, and continuing through the 2012/2013 and 2013/2014 Capability Years. The effective date would depend on the timing of a Commission order accepting the revised ICAP Demand Curves without a need for further analysis or revised computations.

I. LIST OF DOCUMENTS SUBMITTED

The NYISO respectfully submits the following documents:

1. This filing letter;

¹ *New York Independent System Operator, Inc.*, 135 FERC ¶ 61,170 (2011) ("May 2011 Order").

² Terms with initial capitalization that are not otherwise defined herein shall have the meaning set forth in the NYISO's Market Administration and Control Area Services Tariff ("Services Tariff"), and if not defined therein, in the NYISO's Open Access Transmission Tariff ("OATT").

³ See *New York Independent System Operator, Inc., Compliance Filing and Request for Flexible Effective and Implementation Dates*, Docket Nos. ER11-2224-004 and ER11-2224-005 (collectively, "March 29 Compliance Filing") at Section IV.

2. A blacklined version of the modifications to Section 5.14.1.2 of the Services Tariff (Attachment I);
3. A clean version of the modifications to Section 5.14.1.2 of the Services Tariff (“Attachment II”) and
4. The affidavit of Mr. David Lawrence (“Lawrence Affidavit”) (Attachment III).

II. BACKGROUND

The NYISO filed proposed ICAP Demand Curves for Capability Years 2011/2012, 2012/2013, and 2013/2014 on November 30, 2010 (“November Filing”).⁴ The Commission issued an order on January 28, 2011 (“January Order”)⁵ on the November Filing and, among other things, directed the NYISO to make a compliance filing. Parties including the NYISO filed petitions for rehearing and clarification of the January Order, and those filings, along with related submissions in this docket, were the subject of the May 2011 Order. The May 2011 Order directed that the NYISO:

- Include property tax abatement provided under New York State Law⁶ in the calculation of the New York City net Cost of New Entry (“CONE”).⁷
- “Include ... values for [the winter-to-summer ratios (“WSRs”)] in the relevant locations that are consistent with the assumed average levels of excess capacity used to calculate the other components of net CONE, or to explain why the values for WSR calculated based on recent actual data reasonably approximate the ratio of winter-to-summer DMNCs that would arise under the assumed average level of excess capacity.”⁸

III. DESCRIPTION OF PROPOSED COMPLIANCE TARIFF REVISIONS

Section 5.14.1.2 of the Services Tariff includes a table that identifies the points at which the NYISO’s three ICAP Demand Curves are to be established. The NYISO has prepared a blacklined version of the Section 5.14.1.2 table that reflects values that incorporate the compliance revision to the New York City Demand Curves.

The May 2011 Order requires the NYISO “to file tariff ... revisions ... to include revised demand curve prices in tariff section 5.14.1.2 that reflect the effect of full NYC tax abatement as

⁴ New York Independent System Operator, Inc., Tariff Revisions to Implement ICAP Demand Curves for Capability Years 2011/2012, 2012/2013, and 2013/2014, Docket No. ER11-2224-000 (filed November 30, 2010).

⁵ *New York Independent System Operator, Inc.*, 134 FERC ¶ 61,058 (2011).

⁶ 2011 N.Y. Laws Chapter 28 (May 18, 2011) (enacting N.Y.S. Assem. Bill 7511) (“2011 Tax Abatement”),

⁷ See May 2011 Order at P 43.

⁸ May 2011 Order at PP 99-100.

applicable for a peaking unit installed in New York City.”⁹ The property tax abatement is the abatement provided pursuant to New York State Law.¹⁰ Accordingly, the NYISO is proposing in this filing the revisions to the New York City Demand Curves set forth in section 5.14.1.2 of the Services Tariff.

To establish the revised ICAP Demand Curves, as described in the Affidavit of David Lawrence (the “Lawrence Affidavit”) that is Attachment III to this filing, the NYISO’s ICAP Demand Curve reset consultants, NERA Economic Consulting (“NERA”) and Sargent & Lundy revised the levelized fixed charge rates for the New York City Demand Curve peaking plant to reflect 15 years of 100% property tax abatement. The NYISO incorporated the revised fixed charge rates into the New York City Demand Curve model developed by NERA. The model that was revised was the NERA revised model prepared in relation to, and described in, the NYISO’s March 29 Compliance Filing in this docket.¹¹ The resulting ICAP Demand Curves reference points and plots are described in the Lawrence Affidavit¹² and are set forth in Attachment I and Attachment II to this filing.

IV. COMPLIANCE WITH THE WINTER/SUMMER RATIO DIRECTIVE

The January Order accepted the NYISO’s proposed winter/summer adjustment methodology as “just and reasonable and consistent with the requirements of the Services Tariff with respect to the issue of quantities of capacity available versus quantities sold.”¹³ However, as specified in the May 2011 Order, the January Order “did not accept the numerical values to the extent they rely on a level of excess capacity.”¹⁴ The May 2011 Order gave the NYISO the option to either “include, in its compliance filing, values for WSRs in the relevant locations that are consistent with the assumed average levels of excess capacity used to calculate the other components of net CONE, or to explain why the values for WSR calculated based on recent actual data reasonably approximate the ratio of winter-to-summer DMNCs that would arise under the assumed average level of excess capacity.”¹⁵

The NYISO analyzed estimated WSRs based on the reduction from actual levels of excess to the proposed level of excess done to perform the “deliverability test” that was part of its March 29 Compliance Filing. The Lawrence Affidavit describes the analysis. The NYISO

⁹ May Order at P 43.

¹⁰ 2011 N.Y. Laws Chapter 28 (May 18, 2011) (enacting N.Y.S. Assem. Bill 7511) (“2011 Tax Abatement”),

¹¹ See March 29 Compliance Filing at Meehan Affidavit.

¹² See Lawrence Affidavit at P 7 and Attachment 1.

¹³ *Id.*

¹⁴ May 2011 Order at P 98.

¹⁵ May Order at P 100. The Commission defined the WSRs as “the ratio of (i) the sum of the winter Dependable Maximum Net Capabilities (DMNCs) of all ICAP providers, to (ii) the sum of the summer DMNCs of all ICAP providers.”

then compared the results of that analysis to the winter/summer ratios proposed by the NYISO in the November Filing, which were based on the level of capacity actually available. The Lawrence Affidavit demonstrates that there is a zero to minimal difference in the ratios for each capacity region derived using the two different methodologies. Based on the analysis, the NYISO is not proposing to alter the WSRs that were included in the November Filing. Mr. Lawrence's analysis supports a finding by the Commission that the use of the winter/summer ratios is consistent with the level of excess utilized for all other purposes in the formulation of the ICAP Demand Curves. It also demonstrates that the WSRs proposed in the November Filing reasonably approximate the ratio of winter-to-summer DMNCs that would arise under the assumed average level of excess capacity.

V. REQUEST FOR FLEXIBLE EFFECTIVE AND IMPLEMENTATION DATES

In the March 29 Compliance Filing, the NYISO requested a flexible implementation date for the revised ICAP Demand Curves that would be determined based on the issuance date of a Commission order accepting them.¹⁶ The May 2011 Order specified that the current ICAP Demand Curves "must remain in effectuntil superseded by revised rates that comply with the Commission's directives (including new directives by [the May 2011] order) The Commission may authorize the filing entity to defer implementation of compliance rates that must reflect Commission directives." For the reasons set forth in the March 29 Compliance Filing, the NYISO requests a flexible implementation date for the ICAP Demand Curves that are proposed in this compliance filing.

The requested implementation date would be the date of the ICAP Spot Market Auction that next follows a Commission order accepting specific numeric values for the new ICAP Demand Curves (*i.e.*, an order that does not require further analysis or revised computations¹⁷) provided there are at least twelve business days between the date of such Commission order and the date of the deadline for certification for LSEs and ICAP Suppliers. Certification deadlines for ICAP Spot Market Auctions through the end of 2011 are set forth on the NYISO's ICAP Event Calendar, which is posted on the NYISO website.¹⁸

As it has done in past requests for flexible effective or implementation dates, the NYISO will notify the Commission once final dates have been determined. To the extent necessary, the

¹⁶ See March 29 Compliance Filing at Section IV.

¹⁷ If a Commission order requires further analysis or revised computations, the NYISO may need additional time to implement the new ICAP Demand Curves.

¹⁸ The NYISO will need the intervening time to, among other things, review the Commission's order and identify the accepted numerical values for the ICAP Demand Curves, enter the revised values into its software, establish and post ICAP Demand Curve reference prices, compute Mitigation Net CONE, perform IT system verification and validation, and identify Pivotal Suppliers prior to the opening of the ICAP Spot Market Auction. The ICAP Event Calendar is available at http://icap.nyiso.com/ucap/public/evt_calendar_display.do.

NYISO will make an additional filing at the same time to update section 5.14.1.2 of the Services Tariff to reflect the actual effective date of the proposed compliance revisions to that provision.

VI. SERVICE

This filing will be posted on the NYISO's website at www.nyiso.com. In addition, the NYISO will e-mail an electronic link to this filing to the official representative of each party to this proceeding, to each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the New Jersey Board of Public Utilities.

VII. CONCLUSION

Wherefore, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept this compliance filing to become effective on the date proposed in Section V so that it may implement the revised ICAP Demand Curves during the Summer 2011 Capability Period.

Respectfully submitted,

/s/ Gloria Kavanah

Gloria Kavanah
Senior Attorney
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144
518.356.6103
gkavanah@nyiso.com

cc: Michael A. Bardee
Gregory Berson
Connie Caldwell
Anna Cochrane
Jignasa Gadani
Lance Hinrichs
Jeffrey Honeycutt
Michael Mc Laughlin
Kathleen E. Nieman

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 20th day of June, 2011.

/s/ Joy Kimberlin

Joy Kimberlin
New York Independent System Operator, Inc
10 Krey Blvd.
Rensselaer, NY 12114
(518) 356-6207