



May 1, 2012

Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., Room 1A
Washington, D.C. 20426

Re: *New York Independent System Operator, Inc. and PJM Interconnection, L.L.C.*,
Docket No. ER12-718-____;
Second Jointly Submitted Market-to Market Coordination Compliance Filing and
Request for Extension of Time to Implement Market-to-Market Coordination

Dear Ms. Bose:

Pursuant to the Federal Energy Regulatory Commission's ("Commission") December 30, 2010 *Order on Rehearing and Compliance* issued in this proceeding ("December Order"),¹ the Commission's July 1, 2011 *Order on Rehearing* ("July Order"),² and the Commission's March 15, 2012 *Order on Compliance Filing* ("March Order"),³ the New York Independent System Operator, Inc., ("NYISO") and PJM Interconnection, L.L.C. ("PJM") (collectively the "RTOs") submit, in electronic format, supplemental revisions to the Joint Operating Agreement ("JOA") between NYISO and PJM that is set forth in Attachment CC to the NYISO's Open Access Transmission Tariff ("NYISO OATT").⁴ The NYISO also proposes a revision to Rate

¹ *New York Independent System Operator, Inc.*, 133 FERC ¶ 61,276 (2010).

² *New York Independent System Operator, Inc.*, 136 FERC ¶ 61,011 (2011).

³ *New York Independent System Operator, Inc.*, 138 FERC ¶ 61,192 (2012).

⁴ Order No. 714, *Electronic Tariff Filings*, ¶ 31,276 (2008), and Section 35.1 of the Commission's regulations, 18 C.F.R. § 35.1(a), allow multiple public utilities that are parties to the same tariff (*e.g.*, a joint tariff such as the JOA) to designate one of the public utilities as the designated filer of the joint tariff. The designated filer submits a single tariff filing for inclusion in its database that reflects the joint tariff, along with the requisite certificates of

Schedule 1 to the NYISO OATT that is necessary to implement Market-to-Market Coordination Process (“M2M”) related billing appropriately. Finally, the RTOs request a 15 day extension of time to permit the proposed M2M revisions to take effect on January 15, 2013.

Consistent with the RTOs’ December 30, 2011 *Jointly Submitted Market-to Market Coordination Compliance Filing* (“Joint Filing”), the March Order, and the RTO’s requested extension of time, the RTOs propose to terminate their Unscheduled Transmission Service (“UTS”) Agreement,⁵ effective January 15, 2013. The RTOs are implementing an improved UTS process as a component of M2M.

Consistent with the Joint Filing, the March Order and the RTO’s requested extension of time, the NYISO proposes to terminate the provisions of its Market Administration and Control Area Services Tariff that implement the interregional congestion management pilot program⁶ effective January 15, 2013. PJM has submitted to FERC a separate eTariff filing to remove from the PJM OATT its *Interregional Congestion Pilot Program*.

In the Joint Filing the RTOs requested a flexible effective date for the JOA and other tariff revisions proposed in the Joint Filing for implementation no later than January 15, 2013.⁷

Consistent with the RTOs’ request in the Joint Filing, the RTOs now request an extension of time to permit them to implement M2M on January 15, 2013.

concurrence from the other parties to the joint tariff. NYISO is the designated filing party for the JOA. Therefore, NYISO is submitting the JOA modifications in the instant filing along with PJM’s Certificate of Concurrence. The designation of the NYISO as the designated filer for the JOA is for administrative convenience and in no way shall limit PJM’s filing rights under the Federal Power Act as they relate to the JOA.

⁵ PJM Interconnection, L.L.C. Rate Schedule FERC No. 30. The UTS Agreement was accepted for filing in a Letter Order that was issued pursuant to delegated authority in Docket Nos. ER01-1115-000, 001 and 002 on March 6, 2002.

⁶ The NYISO’s Tariff revisions to implement the interregional congestion management pilot program were submitted in Docket No. ER02-194-000 and ultimately accepted (following the NYISO’s submission of compliance revisions) in a Letter Order dated February 27, 2002.

⁷ In the March Order, the Commission left the issue regarding the effective date applicable to M2M coordination process for the Commission’s order addressing additional compliance filings.

I. Background

The Commission's March Order conditionally accepted the RTOs' proposed JOA and NYISO tariff revisions, subject to the RTOs submission of an additional compliance filing by May 1, 2012. In compliance with the Commission's directives, the RTOs and their stakeholders worked together to develop mutually agreeable M2M provisions for the JOA which comply with the Commission's directives in the March Order. The attached JOA revisions represent the culmination of those efforts.

In this compliance filing the RTOs propose additional JOA revisions that, collectively, resolve the five issues that the RTOs requested additional time to resolve and upon which the Commission based its compliance directives set forth in the March Order. The open issues are: (1) the method of calculating M2M Entitlements; (2) the modeling of external capacity resources for purposes of developing M2M Entitlements; (3) determining how to reflect the operation of the Ontario/Michigan PARs in the M2M Entitlement and M2M Market Flow calculations; (4) determine whether and when it is appropriate to limit M2M obligations and settlements based on the physical capabilities (*e.g.*, thermal rating) of the 5018 transmission line; and (5) determining how to reflect PJM's service to its Rockland Electric Company ("RECo") load in the M2M Market Flow and M2M Entitlements processes. Explanations of how the RTOs propose to resolve each of the five open issues are set forth below.

In addition to the proposed supplemental revisions to the JOA, and Schedule C (the "ConEd Wheel Agreement")⁸ and Schedule D (the M2M rules) thereto, that are necessary to resolve the five open issues, the RTOs propose a small number of non-substantive clean-up revisions to their proposed M2M Schedule, and propose to add a provision that will permit them

⁸ The ConEd Wheel Agreement is Schedule C to the RTOs' JOA. Schedule C to the JOA replaces Attachment M-1 to the NYISO's Services Tariff effective May 1, 2012.

to suspend Ramapo PAR M2M settlements when both Ramapo PARs, or the 5018 transmission line, are out-of-service. Finally, the NYISO proposes a revision to Rate Schedule 1 of its OATT to permit it to bill M2M-related costs appropriately.

A. Proposed Resolution of Concerns Related to Calculation of Market-to-Market Entitlements

M2M Entitlements are the equivalent of financial rights that will be granted to PJM and to the NYISO to use each other's transmission system within the confines of the M2M process. A crucial element of M2M is developing an equitable set of entitlements for both PJM and NYISO. When M2M redispatch is activated the agreed upon level of M2M Entitlements is used as a baseline to provide compensation to either PJM or the NYISO depending on how the actual level of each others' Market Flows compares to the level of M2M Entitlements.

At the time the RTOs were submitting their Joint Filing, they had not yet developed an agreed method of calculating M2M Entitlements. As a result, the RTOs were concerned that the preliminary M2M Entitlement calculation results they were producing based on the preliminary M2M Entitlement calculations they had developed were significantly asymmetric, and potentially inequitable. The preliminary M2M Entitlement results were not sufficiently certain to share with stakeholders. In addition, the RTOs had not agreed on how to account for transmission system expansion in the determination of M2M Entitlements.

The RTOs have worked together to improve the consistency of their method of calculating M2M Entitlements. The RTOs have also agreed to several changes to Schedule D to their JOA to improve the methods that the RTOs will use to calculate M2M Entitlements and to ensure that M2M will produce equitable results. The proposed changes to Schedule D include:

1. Rules for reflecting transmission system expansion in the M2M Entitlement calculation. *See* Section 6.3;

2. Revisions to the rules that were originally proposed in the Joint Filing to permit the use of an updated system model in the M2M Entitlement calculation. *See* Sections 6.1 and 6.4; and
3. Rules addressing when the M2M redispatch process must be initiated, and when it may be terminated. The purpose of the new rules is to require the M2M redispatch process to be initiated only when an appreciable quantity of redispatch relief is expected to be available from the Non-Monitoring RTO. The goal of the new rules is to ensure that M2M redispatch settlements are limited to circumstances where (i) the Non-Monitoring RTO is redispatching to provide relief, or (ii) the Non-Monitoring RTO's Market Flow exceeds its M2M Entitlement. *See* Sections 7.1.2(b) and 7.1.6.

In addition to the proposed revisions to Schedule D described above, the RTOs propose to revise Section 35.12 of the JOA to reflect the proposed M2M redispatch initiation rules.

B. Proposed Resolution of Concerns Related to Modeling of External Capacity Resources

In the March Order, the Commission required the RTOs to submit all remaining tariff revisions necessary to implement the M2M process including revisions pertaining to the modeling of external capacity resources for purposes of developing M2M Entitlements. The RTOs propose to revise Schedule D to allow either party to include external capacity resources in the model used for M2M Entitlement calculations to the extent the RTOs mutually agree to their inclusion. For the initial implementation of the M2M coordination process, PJM will include its external capacity resources in the model used to calculate the M2M Entitlements, while NYISO will not include its external capacity resources. PJM or NYISO may revise its list

of external capacity resources in accordance with new language proposed in Section 6.2.1.1 of Scheduled D, which is described below.

C. Proposed Resolution of Concerns Related to Modeling of Ontario/Michigan PARs in M2M

The RTOs have agreed to model the Ontario/Michigan PARs as not controlling power flows in their implementation of the M2M Entitlement calculation. The RTOs agreed upon model is appropriate for two reasons.

First, Section 7.1.2 of Schedule D has been modified to incorporate a new set of rules that specify when the RTOs expect the Non-Monitoring RTO will be capable of providing an appreciable amount of redispatch relief. The new rules require the RTOs to incorporate the operation of the Ontario/Michigan PARs into the calculation of Market Flows if and when the Ontario/Michigan PARs are in service. The RTOs propose to calculate the Non-Monitoring RTO's Lake Erie Circulation Adjusted Market Flow in a manner that reflects the expected impact of the Ontario/Michigan PARs. At times when the Ontario/Michigan PARs are blocking the Non-Monitoring RTO's Market Flow from the Monitoring RTO's M2M Flowgate, the impact of the Ontario/Michigan PARs on the Non-Monitoring RTO's Market Flow will be accounted for in the Market Flow calculation.

The RTOs proposed rules also ensure that the operation of the Ontario/Michigan PARs will not, by itself, reverse the direction of payments under the M2M settlement process. In other words, the operation of the Ontario/Michigan PARs will not be permitted to cause a Monitoring RTO or Non-Monitoring RTO that otherwise would have been eligible to receive a payment under the M2M process, to instead incur an M2M-related settlement obligation. This is appropriate because neither of the RTOs control the Ontario/Michigan PARs, and because the RTOs account for the Ontario/Michigan PARs operation when determining M2M Market Flows

for real-time operation. Changes to Sections 8.1 and 8.2 of Schedule D permit the proposed modifications to Section 7.1.2 to be reflected in M2M settlements.

Second, the RTOs have agreed that they may reconsider their treatment of the Ontario/Michigan PARs when the transmission lines at the Ontario/Michigan interface are PAR controlled and sufficient operational data has been collected to permit the RTOs to mutually agree on changes to improve the method of reflecting the Ontario/Michigan PARs' impact on the M2M coordination process.

D. Proposed Resolution of Concerns Related to Reflecting PJM's service to its Rockland Electric Load in the M2M Entitlement and M2M Market Flow Calculations

The RTOs proposed compromise addressing the treatment of PJM's service to its Rockland Electric ("RECo") load in the M2M Entitlement and Market Flow calculations is set forth in Section 6.2 of Schedule D. The RTOs have agreed that 80% of PJM service to RECO load "shall be excluded from the calculation of M2M Market Flows and M2M Entitlements and shall instead be reflected as a PJM obligation over the Ramapo PARs..." The RTOs have agreed that the remaining 20% of RECo load "shall be included in the M2M Entitlement and Market Flow calculations as PJM load."

E. Proposed Resolution of Concerns Related to Limiting Market-to-Market Obligations and Settlements Based on the Physical Capabilities of the 5018 Interconnection, Including Proposed Revision to Schedule C to the JOA that is Necessary for M2M Implementation

To the extent the operation of PARs at the PJM/NYISO border is governed by existing agreements, the RTOs have endeavored to ensure that M2M will not prevent the implementation of those existing agreements. There are two existing agreements that the RTOs paid careful attention to when developing M2M—the UTS Agreement and the ConEd Wheel Agreement.

The UTS Agreement addresses unscheduled transmission service and the operation of the Ramapo PARs to minimize regional transmission congestion. The Ramapo PARs are utilized to (i) facilitate scheduled interchange transfers between PJM and NYISO, (ii) ensure other transmission facilities between PJM and NYISO can meet their schedules, and (iii) reduce congestion caused by heavy west to east system dispatch. The UTS Agreement allows PJM or NYISO to recover part of the costs of unscheduled transmission service caused by mismatches between the actual and scheduled flows on the 5018 interconnection, across the Ramapo PARs.

The terms of the UTS agreement that have been incorporated into the JOA as part of M2M provide that the Ramapo PARs are expected to direct 61% of the net interchange between New York and PJM over the 5018 A/C transmission line. The terms of the existing UTS and proposed M2M Agreement also reflect the expectation that 72% of any imbalance in the ConEd Wheel Agreement deliveries will be carried on the 5018 transmission line. The NYISO and PJM have agreed to include the remaining 28% of any imbalance in ConEd Wheel Agreement deliveries in their calculation of the Ramapo target value.⁹

Effective May 1, 2012, the ConEd Wheel Agreement allows for a distribution of 13% of New York - PJM interchange across each of the JK and ABC interfaces under a limited set of circumstances.¹⁰ Appendix 3 to the ConEd Wheel Agreement sets forth the rules for calculating the JK and ABC desired flow values. It indicates that 13% of PJM-NYISO interchange may be scheduled over each of the ABC and JK interfaces only when steps taken by PJM and NYISO to coordinate tap changes on the PARs to control power flow on transmission lines between New York and New Jersey are unable to maintain the desired flow.

⁹ See Joint Filing at 17.

¹⁰ See *Settlement and Offer of Settlement*, Docket Nos. ER08-858-000, ER08-867-000, and EL02-23-000 (February 23, 2009) (“ConEd Wheel Agreement”). See also *PJM Interconnection, L.L.C.*, 132 FERC ¶ 61,221 (2010) (order approving ConEd Wheel Agreement).

As described in the Joint Filing, the RTOs incorporated certain ConEd Wheel Agreement terms and conditions into the M2M rules that address the operation of the Ramapo PARs to ensure that the M2M implementation occurs in a manner that is consistent with preexisting regulatory obligations. However, as part of their effort to implement M2M the RTOs have identified a single, minor, change to the ConEd Wheel Agreement that is necessary to permit the RTOs to effectively implement M2M.¹¹

The December 30, 2011 filing letter identified the following as an open item: “The RTOs are discussing whether, and under what circumstances, it may be appropriate to limit M2M obligations and settlements based on the physical capabilities (thermal rating) of the 5018 transmission line.” Specifically, the concern that the RTOs were discussing focused on the infeasibility of delivering 61% of scheduled interchange across the 5018 transmission path at higher interchange levels due to the limited physical capability of that line.

In continued discussions of the appropriate limitations on the M2M obligations and settlements based on the physical capabilities of the 5018 transmission line, the RTOs identified a necessary solution that aligns the settlement obligations associated with the scheduled interchange component of the Ramapo target with the practical realities of system operations. By distributing the portion of scheduled interchange required to maintain feasible schedules across 5018 to the JK and ABC desired flow targets, up to a maximum value of 13% of scheduled interchange on each of the JK and ABC interfaces, the ConEd Wheel Agreement imbalance term effectively results in 5018 deliveries remaining feasible for settlement under M2M. This approach also allows the RTOs to utilize 5018 as well as the ABC and JK interfaces to realize the full scheduling capability of the New York and PJM interface.

¹¹ This is a modification to the RTOs’ prior statements in the Joint Filing and in the Answer to the Protest of the PSEG Companies filed in this proceeding. The RTOs previously stated that the ConEd Wheel Agreement and the RTOs’ obligations there under remain unchanged.

In addition, transitioning any scheduled interchange gradually, up to a cap of 13%, to each of the JK interface and ABC interface desired flow targets results in a smoother transition that is more consistent with Good Utility Practices than a binary invocation of either 13% or 0% of scheduled interchange flowing over each of the JK and ABC interfaces. For the aforementioned reasons, a minor revision to the ConEd Wheel Agreement allowing “up to” 13% of scheduled interchange to be scheduled over the JK and ABC interfaces is a necessary component of the RTO’s proposed M2M implementation. The proposed change will also improve the RTOs’ implementation of the Wheel Agreement.

In addition to the minor change to the ConEd Wheel Agreement described above, the RTOs have simplified Section 7.2.1 of proposed Schedule D to the JOA to effectuate the agreed upon changes.

II. Stakeholder Involvement

The M2M rules proposed in this filing are the product of extensive discussions between the RTOs and they reflect input from the RTOs’ market participants. Since the RTOs’ Joint Filing the RTOs have held a number of meetings with their stakeholders to discuss the M2M revisions proposed in this filing.

The NYISO formally presented on and discussed M2M with its stakeholders on two occasions since the Joint Filing. The presentations occurred at the NYISO Market Issues Working Group (“MIWG”) meeting held on March 22, 2012 and at the NYISO’s Business Issue Committee (“BIC”) meeting held on April 18, 2012. The NYISO presentations focused on the M2M issues that were identified as requiring additional work to resolve in the Joint Filing. At the MIWG meeting the NYISO explained how the M2M Entitlements were being determined. At the BIC meeting the NYISO presented the expected levels of PJM and NYISO M2M

Entitlements to the NYISO's stakeholders.¹² The NYISO's stakeholders did not raise concerns regarding the expected levels of M2M Entitlements that were presented at the BIC meeting. In addition to the formal M2M presentations, M2M was addressed in the Market Seams Reports that are presented and discussed at each of the NYISO's monthly BIC meetings.

PJM also formally presented on and discussed M2M coordination with the NYISO with its stakeholders at its Market Implementation Committee ("MIC") meetings held on January 11, February 17, March 14, and April 11 2012. Presentations were also provided to PJM stakeholders at Markets and Reliability Committee/Members Committee webinars held on January 23, February 21, March 26 and April 23, 2012.

III. Description of Proposed Tariff Revisions

As discussed in detail below, the vast majority of the revisions submitted in this compliance filing are to proposed Schedule D to the RTOs' JOA. The RTOs also propose minor revisions to the body of their JOA and to the ConEd Wheel Agreement. The NYISO also proposes a revision to Rate Schedule 1 of its OATT to permit the NYISO to implement M2M related billing appropriately.

A. Proposed Revisions to the Body of the JOA

The RTOs propose to add the following new/supplemental definitions to the JOA:

- **"External Capacity Resource"** shall mean: (1) for NYISO, (a) an entity (*e.g.*, Supplier, Transmission Customer) or facility (*e.g.*, Generator, Interface) located outside the NYCA with the capability to generate or transmit electrical power, or the ability to control demand at the direction of the NYISO, measured in megawatts, or (b) a set of Resources owned or controlled by an entity within a

¹² Link to NYISO's April 18, 2012 BIC presentation:
http://www.nyiso.com/public/webdocs/committees/bic/meeting_materials/2012-04-18/05_M2M_with_PJM.pdf

Control Area, not the NYCA, that also is the operator of such Control Area; and
(2) for PJM, a generation resource located outside the metered boundaries of the
PJM Region (as defined in the PJM Tariff) that meets the definition of Capacity
Resource in the PJM Tariff or governing agreements filed with the Commission. •

“**LEC Adjusted Market Flow**” shall mean the real-time market flow

incorporating the observed operation of the PARs at the Michigan-Ontario border. •

“**New Year Market Flow**” shall mean the Market Flow incorporating the

transmission topology that includes all pre-existing Transmission Facilities and all
new or upgraded Transmission Facilities whose impact on M2M Entitlements has
been previously evaluated and incorporated, *and* all new or upgraded
Transmission Facilities whose impact on M2M Entitlements is being evaluated in
the current evaluation step.

- “**PAR Shift Factor**” shall mean the PAR’s impact on a Flowgate measured as the
ratio of Flowgate flow change in MW to PAR schedule change in MW.
- “**Reference Year Market Flow**” shall mean the Market Flow based on a
transmission topology that includes all pre-existing Transmission Facilities and all
new or upgraded Transmission Facilities whose impact on M2M Entitlements has
been previously evaluated and incorporated.
- “**Transmission Adjusted Market Flow**” shall mean the result of applying the
M2M Entitlement Transmission Adjusted Market Flow Calculation to the New
Year Market Flow. The resulting Transmission Adjusted Market Flow is then
used as the Reference Year Market Flow in all subsequent, iterative, evaluations.

In addition to the new or revised definitions set forth above, the RTOs propose to revise Section 35.12 of the JOA to reflect the proposed M2M redispatch initiation rules that are set forth in Sections 7.1.2 of Schedule D to the JOA.

B. Proposed Revision to Schedule C to the JOA

For the reasons explained in Section I.E of this filing letter, the RTOs propose to modify Appendix 3 of Schedule C to the JOA such that the distribution factor used to calculate the portion of PJM-NYISO scheduled interchange that will flow over the JK and ABC interfaces is up to 13% of the total scheduled interchange between NYISO and PJM. This change will allow the RTOs to transition scheduled interchange to the JK and ABC interfaces gradually from 0 to 13% as opposed to requiring a binary invocation of 0 or 13% at each of the interfaces. The distribution factor will be specified in Appendix 3 of Schedule C to the JOA as follows (the proposed addition is underlined):

A Up to 13 % Adjustment for NYISO-PJM Schedule

Distribution factor A is utilized in the calculation of JK and ABC desired flow values, under the limited set of circumstances described in Section I.E of this filing letter and in Appendix 3 of Schedule C to the JOA. When it applies, distribution factor A is multiplied by the PJM-NYISO interchange schedule to determine the portion of scheduled interchange that will flow over the JK and ABC interfaces. The resulting portion of scheduled interchange becomes one component of the total JK and ABC desired flow values that are used to implement the ConEd Wheel Agreement.

C. Proposed Revisions to Schedule D to the JOA

Schedule D sets forth the RTOs' proposed rules for implementing M2M. Changes to Schedule D to incorporate the new definitions set forth above and/or minor clean-up revisions are not specifically described here.

Section 5—The RTOs propose to delete language identifying the outstanding issue regarding PJM service to RECo load from Section 5.

Section 5.2—The RTOs propose to add a statement that explains how RECo load will be accounted for in the Market Flow calculation. Accounting for RECo load is addressed in greater detail in Section 6.2 of Schedule D.

Section 6—Because most of the outstanding issues that the RTOs propose to resolve with this filing related to M2M Entitlements, much of the proposed supplemental language and many of the RTOs proposed revisions are concentrated in Section 6.

Section 6.1—Proposed changes to this section (a) permit the RTOs to update the three consecutive years that they mutually agree to use to calculate M2M Entitlements, and (b) mention the proposed rules for incorporating the Ontario/Michigan PARs into the M2M Entitlements calculation.

Section 6.2—Proposed changes to this section include (a) rules addressing how PJM's service to its RECo load will be reflected in the M2M Entitlements and Market Flow calculations; (b) exclude directly scheduled external transactions from the M2M Entitlements calculation; (c) mention the proposed rules for incorporating the Ontario/Michigan PARs into the M2M Entitlements calculation; and (d) reference the proposed rule for incorporating External Capacity Resources in the M2M Entitlement process.

Section 6.2.1.1—The RTOs propose to revise sections 6.2 and 6.4 to allow either NYISO or PJM to include external capacity resources in the M2M Entitlement calculation to the extent the RTOs mutually agree to their inclusion. For the initial implementation of the M2M coordination process, PJM will include external capacity resources in the model used to calculate M2M Entitlements. NYISO has not requested inclusion of any external capacity resources in the initial calculation of the M2M Entitlements. Should the RTOs choose to revise either list of external capacity resources used to calculate the M2M Entitlements, the parties would do so in accordance with proposed section 6.2.1.1.

Section 6.2.1.2—Addresses the treatment of the Ontario/Michigan PARs in the M2M Entitlements process. As explained in Section I.C of this filing letter, the RTOs propose to model the Ontario/Michigan PARs as not controlling power flows in the M2M Entitlements calculations, but will modify Market Flows and M2M settlements to reflect the PARs operation consistent with Sections 7.1.2, 8.1 and 8.2 of Schedule D.

Section 6.3—Proposed modifications to Section 6.3 set forth the rules that the RTOs will use to reflect upgraded or new Transmission Facilities in the M2M Entitlements calculation. In general, the rules provide that, where a transmission upgrade or new Transmission Facility is funded solely by one RTO's Market Participants (the "building RTO"), the other RTO's (the "non-building RTO's") M2M Entitlements to use the building RTO's system may not increase (on a net basis) as a result, but the non-building RTO's M2M Entitlements may be redistributed to reflect expected changes in power flows due to the existence of the upgraded or new Transmission Facility. Reciprocal rules are also proposed to ensure that the building RTO's M2M Entitlements to use the non-building RTO's transmission system will not increase, on a net

basis, as a result of the upgraded or new Transmission Facility, but may be redistributed across the non-building RTO's transmission system.

Section 6.4—Explains how updated generation, load and interchange information may be incorporated into the M2M Entitlement calculation process. This process will be used when the RTOs elect to update the 2009 - 2011 M2M Entitlement data that they are using for their initial implementation of M2M.

Section 7.1.1—Introduces the concept that M2M redispatch should be invoked when an appreciable amount of redispatch relief is expected to be available from the Non-Monitoring RTO.

Section 7.1.2 and 7.1.2(a)—Incorporate the operation of the Ontario/Michigan PARs into the determination of Market Flow, as described in Section I.C of this filing letter.

Sections 7.1.2(b) and 7.1.6—Proposed new rules addressing when the M2M redispatch process must be initiated, and when it may be terminated. The purpose of the new rules is to require the M2M redispatch process to be initiated only when an appreciable quantity of redispatch relief is expected to be available from the Non-Monitoring RTO. The goal of the new rules is to ensure that M2M redispatch settlements are limited to circumstances where (i) the Non-Monitoring RTO is redispatching to provide relief, or (ii) the Non-Monitoring RTO's Market Flow exceeds its M2M Entitlement.

Section 7.2.1—The rules used to compute the Ramapo PAR target values have been simplified and modified to incorporate the proposed “Up to” 13% change to the ConEd Wheel Agreement that is described in Sections I.E and III.B of this filing letter.

Sections 8.1 and 8.2—revised to permit the RTOs to incorporate the proposed changes to Section 7.1 (including all sub-sections) into M2M settlements.

Section 10.1.9—Section 10 addresses when M2M settlements will, or will not, apply.

Proposed Section 10.1.9 permits the RTOs to mutually agree to suspend Ramapo PAR settlements at times when both Ramapo PARs, or the 5018 transmission line, are out-of-service.

D. Proposed Revisions to Rate Schedule 1 to NYISO OATT

The NYISO proposes to modify Section 6.1.8.1.1 of the NYISO OATT to include the M2M settlement between the NYISO and PJM in the Customer Payments portion of the Transmission Customers residual costs payment or charge. M2M settlement, determined in accordance with Section 8 of Schedule D to the JOA, will be incorporated into OATT Rate Schedule 1 as a Residual Costs/Charge. The proposed addition is necessary to allow the NYISO to assess or remit charges or payments associated with the RTOs' implementation of M2M.

IV. Request for Extension of Time to Permit Implementation in January 2013

In the Joint Filing, the RTOs requested a flexible effective date for the JOA and other tariff revisions proposed in the Joint Filing that would require implementation no later than January 15, 2013.¹³ Consistent with the RTOs' request in the Joint Filing, the RTOs now request an extension of time to permit them to implement M2M on January 15, 2013. Given the breadth and complexity of the M2M project, and the scope of the software enhancements that are required to implement M2M, the RTOs both believe the 15 day extension of time they are requesting is reasonable and appropriate.

The RTOs request permission to withdraw the RTOs' UTS Agreement on the same date that the M2M revisions become effective. An electronic version of the UTS Agreement was

¹³ In the March Order, the Commission left the issue regarding the effective date applicable to M2M coordination process for the Commission's order addressing additional compliance filings.

never filed. Therefore, the RTOs request the cancellation of the UTS Agreement in the transmittal letter only.¹⁴

V. Documents Enclosed

The RTOs enclose with this transmittal letter:

1. A certificate of service in Docket No. ER12-718;
2. A clean version of the RTOs' proposed revisions to their JOA, which is on file with the Commission as Attachment CC to the NYISO's OATT, including the proposed revisions to Schedule C and new Schedule D to the JOA (Attachment I)¹⁵;
3. A blacklined version of the RTOs' proposed revisions to their JOA, which is on file with the Commission as Attachment CC to the NYISO's OATT, including the proposed revisions to Schedule C and new Schedule D to the JOA (Attachment II);
4. PJM's concurrence letter, concurring with the proposed revisions to the JOA (Attachment III);
5. A PDF version of the UTS Agreement that the RTOs request permission to withdraw effective January 15, 2013 (Attachment IV);
6. A clean version of the NYISO's proposed revisions to Rate Schedule 1 to the NYISO OATT (Attachment V); and
7. A blacklined version of the NYISO's proposed revisions to Rate Schedule 1 to the NYISO OATT (Attachment VI).

VI. Service

A. NYISO 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.

¹⁴ Attachment IV hereto contains a copy of the UTS Agreement.

¹⁵ The RTOs are re-submitting many sections of the JOA (NYISO OATT Section 35) that they submitted with the Joint Filing solely to add the January 15, 2013 effective date requested in this filing. The sub-sections that are only being re-submitted to reflect the proposed effective date are NYISO OATT §§ 35.1, 35.3, 35.5 - 35.9, 35.11, and 35.13 - 35.21. These sections contain no blacklined changes, so they are not included in Attachment II to this filing.

B. PJM Service

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission's regulations,¹⁶ PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx> with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region¹⁷ alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the FERC's eLibrary website located at the following link: <http://www.ferc.gov/docs-filing/elibrary.asp> in accordance with the Commission's regulations and Order No. 714.

VII. Conclusion

Wherefore, for the foregoing reasons, the RTOs respectfully requests that the Commission accept the attached JOA and other tariff revisions for filing in compliance with the Commission's directives in the December Order, the July Order and the March Order.

Respectfully submitted,

/s/ Alex M. Schnell

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¹⁶ See 18C.F.R §§ 35.2(e) and 385.2010(f)(3).

¹⁷ PJM already maintains, updates and regularly uses e-mail lists for all PJM Members and affected state commissions.

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 1st day of May, 2012.

/s/ John C. Cutting

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