[ISO NEW YORK INDEPENDENT SYSTEM OPERATOR]

March 8, 2012

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

Re: ***New York Independent System Operator, Inc.*****, Compliance Filing**
Docket No. ER04-449-023

Dear Ms. Bose:

The New York Independent System Operator, Inc. ("NYISO") submits this compliance filing pursuant to the P 69 of the Commission's September 8, 2011 *Order on Compliance Filing* ("September Order")[1] addressing the Commission's directives in its June 30, 2009 Order in this proceeding.[2] This filing provides the Commission with a report regarding "the desirability and feasibility of creating new [Installed Capacity] zones on an annual basis rather than only once every three years."[3] For the reasons explained in the attached report, although there are benefits to an annual examination, the NYISO continues to believe it is appropriate to utilize the three-year process as defined in the NYISO's November 7, 2011 compliance filing.[4] The NYISO plans to revisit the possibility of evaluating the need for new capacity zones ("NCZs") more frequently as it progresses through the first process cycle to evaluate and establish a new zone.

I. LIST OF DOCUMENTS SUBMITTED

The NYISO respectfully submits the following documents:

1. This filing letter; and

2. The NYISO's report on the desirability and feasibility of creating NCZs on an annual basis.

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[1] *New York Independent System Operator, Inc.*, 136 FERC ¶ 61,165 (2011) ("*September Order*").

[2] *New York Independent System Operator, Inc*., 127 FERC ¶ 61,318 (2009) ("*June 2009 Order*").

[3] *September Order* at P 69.

[4] The NYISO's November 7, 2011 compliance filing was assigned a new docket number, ER12-360-001, in accordance with the Commission's eTariff process.

II. 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.

III. CONCLUSION

Wherefore, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept this compliance filing and report.

Respectfully submitted,

/s/ Gloria Kavanah

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REPORT OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC. ON THE DESIRABILITY AND FEASIBILITY OF CREATING NEW CAPACITY ZONES ON AN ANNUAL BASIS RATHER THAN TRIENNIALLY

March 8, 2012

The New York Independent System Operator, Inc. ("NYISO") submits this report in compliance with P 69 of the Commission's September 8, 2011[1] Order on the January 4, 2011, compliance filing ("January Compliance Filing") regarding the evaluation and potential creation of new Installed Capacity[2] zones ("NCZs").[3] As directed by the *September Order*, this report explains the NYISO's analysis, arrived at in consultation with its stakeholders, regarding the desirability and feasibility of creating NCZs on an annual basis, instead of triennially, as the NYISO proposed.

As further explained herein, the NYISO's analysis concludes that there are benefits to a process that provides for an annual examination and implementation of NCZs; however, at present, those benefits are outweighed by significant feasibility challenges. The analysis confirmed the NYISO's prior determination that it is appropriate to use the three-year process, as defined in the NYISO's November 7, 2011 compliance filing ("November Compliance Filing").[4]

The NYISO will revisit the feasibility of an annual process after any necessary tariff modifications to create an NCZ (if one is identified) are accepted by the Commission.[5] The NYISO describes below that during the first NCZ process, it will identify any additional feasibility challenges and feasible solutions to overcome them. That examination will consider

[1] *New York Independent System Operator, Inc.*, 136 FERC ¶61,165 (2011) ("September Order").

[2] Terms not defined herein have the meaning set forth in the NYISO's November 7, 2011 compliance filing ("November Compliance Filing") submitted in this proceeding, and if not defined therein, then in the NYISO's Market Administration and Control Area Services Tariff ("Services Tariff").

[3] An NCZ is a Locality that is comprised of one Load Zone, or more than one adjacent Load Zones, within which a minimum level of Installed Capacity must be maintained. An NCZ, like the existing Localities, would have its own ICAP Demand Curve, which is intended to send economic signals to address local Capacity requirements.

[4] See *New York Independent System Operator, Inc.*, Compliance Filing Docket No.ER12-360-001.

[5] If one or more NCZs is identified in the NCZ study to commence September 2012, the results of which would be presented in January 2013, the NYISO would file proposed tariff revisions in March 2013.

whether it is possible to achieve some of the benefits of a more frequent process, even if there are feasibility issues that cannot be overcome to achieve all of the benefits in the same timeline. Because the NYISO has determined that it will retain the three-year period, it is not at this time proposing a schedule for tariff changes to implement an annual evaluation process.

I. Background

On January 4, 2011, in compliance with the Commission's June 30, 2009 Order in this proceeding ("June 2009 Order"), the NYISO and the New York Transmission Owners ("NYTOs") submitted the January Compliance Filing which proposed criteria and considerations to "govern the evaluation and potential creation of [NCZs] in the New York Control Area". The NYISO's compliance filing also proposed to conduct the NCZ Evaluation Process on a triennial basis, in conjunction with the ICAP Demand Curve reset process.

In the September Order, the Commission accepted in part and rejected in part the NYISO's January Compliance Filing and directed a further compliance filing to accept a specific criterion, and reject the proposed "considerations," as specified by the Commission. The September Order also accepted the NYISO's proposal to conduct the NCZ Evaluation Process on a three-year period. The Commission agreed with the NYISO that the evaluation and creation of NCZs was sufficiently tied to the ICAP Demand Curves to justify the proposed three-year timing. The September Order, however, directed that the NYISO, along with its stakeholders, to consider "the desirability and feasibility of creating new zones on an annual basis rather than only once every three years."[6] The Commission also indicated that the NYISO should file a report on the results thereof, and "a schedule for developing tariff changes to implement any recommendations resulting from the process."[7] Additionally, in compliance with the September Order, the NYISO submitted the November Compliance Filing which proposed tariff modifications to address the Commission's directives, including the directives regarding the criteria for the process to evaluate and establish NCZs ("NCZ Evaluation Process"). The November Compliance Filing is currently pending before the Commission.

II. Analysis of the Desirability and Feasibility of Conducting the NCZ Evaluation Process on an Annual Basis Versus a Triennial Process

As explained in more detail in Sections A and B below, the NYISO concludes that a one-year cycle may be more desirable in some respects than a three-year process; however, the NYISO has identified significant impediments to the feasibility of an annual NCZ Evaluation Process that would need to be addressed. These issues are discussed in detail below. Furthermore, the NYISO will soon be starting the NCZ Evaluation Process under the timeline proposed in the November Compliance Filing. Transforming that process into an annual process at this time is unlikely to accelerate the creation of an NCZ found to be necessary, which would be studied, identified, and implemented by May 1, 2014. Attempting to address the complex feasibility issues now and make the necessary tariff modifications could actually delay the implementation of such a NCZ.

[6] September Order at P 69.

[7] *Id*.

A. Desirability Analysis

As explained in the September Order, the creation of NCZs is necessary to address "transmission constraints that can result in poor price signals and in selecting capacity in the auction that is not actually deliverable to a constrained area."[8] Creation of NCZs, whether pursuant to an annual or three-year process, allows more accurate market price signals to be sent. The most significant benefit of an annual NCZ Evaluation Process is that those price signals would be provided more quickly and potentially closer to the time that the constraint that leads to the creation of the NCZ is first observed. An NCZ could be reflected more quickly in the Class Year Deliverability Study, allowing the NYISO to identify those System Deliverability Upgrades that are required even with the NCZ.[9] The more frequent establishment of NCZs would more promptly inform resource decisions regarding investments and retirements.

An annual process also has certain disadvantages over the proposed triennial process. An annual process would necessarily reduce the amount of time available for NYISO studies and stakeholder input. This compressed timeline will limit the ability for the NYISO and its stakeholders to raise and address issues that may be resolved through additional analysis or discussion in the stakeholder process. Lessening the amount of time provided for analysis and stakeholder input will likely increase the number of disputed issues that would ultimately be raised before the Commission. Thus, it is foreseeable that there could be a limited period between the Commission's final order on tariff revisions arising from one annual process, and the commencement of the subsequent annual process, and the Commission's review of one may possibly overlap with the subsequent process.

A three-year period aligns the NCZ Evaluation Process with the ICAP Demand Curve reset process. Allowing these processes to proceed in concert ensures that sufficient time exists for the completion of necessary analyses and adequate time for stakeholder review and input. One of the primary benefits of aligning the creation of an NCZ with the ICAP Demand Curve reset cycle is to ensure the ICAP Demand Curves for existing Localities (presently New York City and Long Island, plus any established New Capacity Zones) and the NYCA are developed based on a consistent set of economic data and assumptions. It also allows stakeholders to review and consider all inputs and assumptions in the NCZ ICAP Demand Curve in the same timeframe as the other ICAP Demand Curves.

B. Feasibility Analysis

There presently are significant obstacles to conducting the NCZ Evaluation Process on an annual basis. These obstacles would have to be overcome or otherwise addressed before an

[8] *Id*. at P 69.

[9] The Deliverability analysis conducted pursuant to Open Access Transmission Tariff Attachment S utilizes the identified "Capacity Region", as defined in the Open Access Transmission Tariff Attachment S. Therefore, the tariff revisions to incorporate the identified NCZ into the definition of Capacity Region would need to be accepted by the Commission and effective prior to beginning the Class Year Deliverability analysis.

annual process would be feasible. The NCZ Evaluation Process, delineated in the November Compliance Filing, incorporates the time necessary to create an NCZ in conjunction, and in the proper sequence, with existing processes.

An annual process would significantly reduce, and even eliminate, the period in which certain steps could be completed. As illustrated by Table 1, the NCZ Evaluation Process, as proposed in the November Compliance Filing, involves many individual key steps that interact with, utilize data from, and/or are inputs into, other NYISO processes.

Table 1 - Key Process Steps for NCZ Evaluation and Creation

Timeline[10]	**Activity**
5/1/2012	ICAP Demand Curve Reset ("DCR") process initiated
9/1/2012	NCZ Study - start date
10/1/2012	Establish inputs and assumptions of NCZ Study
11/1/2012	DCR consultant selected
1/15/2013	Report to stakeholders on results of NCZ Study
3/1/2013	Determine Indicative Locational Capacity Requirements for NCZ
3/31/2013	File tariff changes with FERC to establish NCZ (*e.g.,* OATT Att. S revisions, NCZ Study results, revise Locality definition to include NCZ boundary)
11/30/2013	ICAP Demand Curve reset filing (establish ICAP Demand Curves for next 3 Capability Years including for the NCZ(s))
1/15/2014	2014/15 Locational Minimum Installed Capacity Requirement established for all Localities, including the NCZ (s)
5/1/2014	Capability Year begins, with NCZ, and new ICAP Demand Curves

As shown above, the establishment of an NCZ requires the completion of the New Capacity Zone study ("NCZ Study"). When the need for an NCZ is identified, the boundaries of the NCZ must be determined, and the tariff must be modified to recognize and provide for the NCZ. Further, the NCZ Evaluation Process requires stakeholder review at the identified steps of the NCZ Study. An NCZ would only be created after the Commission accepted filed tariff revisions. The NCZ would require its own ICAP Demand Curve and corresponding Locational Minimum Installed Capacity Requirement.

As further explained below, it is infeasible to compress all of the steps of the NCZ Evaluation Process into an annual process. To implement an NCZ at a point other than the beginning of a Capability Year would interfere with the ICAP Auctions.

1. Establishment of ICAP Demand Curves

In order to implement an NCZ, an ICAP Demand Curve for that Locality is required. The NYISO's November Compliance Filing proposed to develop that new ICAP Demand Curve

[10] This example is based on the tariff revisions proposed in the November Compliance Filing, which is a three-year cycle in accordance with the September Order. This example assumes the implementation of a new zone by May 1, 2014, the beginning of the 2014/15 ICAP Capability Year.

through the existing ICAP Demand Curve reset process. If an annual NCZ process is adopted, however, a different process must be developed in order to establish the ICAP Demand Curve for the NCZ which would apply until the next triennial ICAP Demand Curve reset cycle.

The ICAP Demand Curves are established triennially for three Capability Years, with considerable stakeholder input, in a minimum of an eighteen month process. It requires numerous data inputs, including cost estimates, load and capacity forecasts, and inflation factors. There is significant stakeholder review of the inputs, the draft and final reports issued by the independent consultant, and the proposed ICAP Demand Curves.[11] The process also includes stakeholder presentations to the NYISO's Board of Directors[12] and Commission review of the NYISO's proposed ICAP Demand Curves.

The NYISO considered some alternative processes to establish an ICAP Demand Curve for the NCZ prior to the one established in the next triennial reset. Alternatives considered were conducting a separate ICAP Demand Curve reset process on a substantially compressed timeframe, or a process through which an existing ICAP Demand Curve is adjusted to use with the NCZ. Whether either of these options, or an alternative, can be completed on a timeline adequate to support an annual cycle must be explored further. An important factor to consider is whether one of the desired benefits of an NCZ - an enhanced market price signal - can be achieved in an annual process. The potential compression of the opportunity for stakeholder input in the NCZ process steps and the setting of the ICAP Demand Curve for the NCZ will also need to be considered.

A particular challenge to establishing an interim ICAP Demand Curve is if the NYISO identifies that the NCZ is a nested zone.[13] Creating an ICAP Demand Curve for a nested zone by adjusting an existing ICAP Demand Curve for that zone would require extensive analyses to determine if it would be more appropriate to use the parameters of the ICAP Demand Curve for a Locality if there is a Locality within the nested zone, or the NYCA ICAP Demand Curve, on an interim basis.

Also, an interim ICAP Demand Curve for an NCZ, and the other ICAP Demand Curves, would be calculated at different times. Because more recently available data would be used for the interim NCZ ICAP Demand Curve, that curve would be set using different inputs than the other ICAP Demand Curves. Therefore, prior to establishing a process that would implement an NCZ ICAP Demand Curve on a different cycle, the potential impact of such an approach, including the resulting market price signal, should be fully evaluated.

[11] *See* Services Tariff at § 5.14.1.2.6.

[12] *See* Services Tariff at § 5.14.1.2.9, t § 5.14.1.2.10

[13] A nested zone is a Locality that includes adjacent Load Zones one or more of which was an existing Locality.

2. Establishment of the Locational Minimum Installed Capacity Requirements, Load Serving Entities' Installed Capacity Requirement and Import Limits

In addition to the processes described above, a series of interdependent studies and deadlines - some internal to the NYISO, some external - must be satisfied prior to the start of Market Participant activities associated with the ICAP Auctions for the new Capability Year. Although the Capability Year commences on May 1, these activities must occur months earlier. In order for a process to create an NCZ on an annual basis to be feasible, it would need to dovetail with these other processes or the timelines of these other processes would need to be modified. The NYISO has not, to date, identified a clear path that would achieve either.

Some of the key steps in the NYISO's capacity market processes that affect, or are affected by, the establishment of an NCZ are set forth in the following table:

Table 2 - Other Capacity Market Processes: Load Forecast, LCR, Import Rights, and Capability Period

Timeline[14]	Activity	Process
6/17/2011	NYISO reviews Load Forecast Uncertainty model at the Load Forecast Task Force meeting	Load Forecast
9/29/2011	NYISO delivers 2012 NYCA Peak Forecast to NYSRC	Load Forecast
12/23/2011	NYISO Load Forecast becomes final	Load Forecast
1/12/2012	NYISO Operating Committee Meeting for approval of Locational Minimum Capacity Requirements ("LCRs") for Localities,[15] conditioned on Commission and New York State Public Service Commission action on the filed IRM	LCR
1/30/2012	NYISO publishes External Import Rights Study[16]	Import Rights
2/7/2012	NYISO posts External Import Rights available for upcoming Summer Capability Period[17]	Import Rights

[14] Timeline is based on the actual schedule observed for the 2012/13 ICAP Capability Year.

[15] Other possible steps include: An appeal from Operating Committee action on LCRs, NYISO Management Committee meeting to act on that appeal; and if appealed from the Management Committee ("MC"), the timeline also needs to include a period for the Board of Directors meeting to consider the MC appeal.

[16] After it is published, the NYISO performs a deliverability study specific for import rights. The NYISO then allocates the amount of capacity that is deliverable through the Import Rights allocation process.

[17] This amount is based on the amount of Import Rights available and deliverable for each external interface.

2/16/2012	Period opens for Market Participants to request Import Rights (first come, first served allocation process)	Import Rights
3/5/2012	After Commission and NYPSC action finalizing IRM, NYISO confirms LCR and computes each Load Service Entity's ("LSE") Locational ICAP Requirement	LCR
3/19/2012	NYISO notifies each LSE of its ICAP requirement	Capability Period
3/29/2012	NYISO Summer Capability Period Auction opens	Capability Period
5/1/2012	Capability Year begins	Capability Period

As demonstrated by the table, the steps are carefully sequenced and there appears to be little opportunity to adjust the dates given the necessary steps to commence the new Capability Year. To implement an NCZ on an annual basis, each step in the NCZ Evaluation Process would need to be added to the existing timeline.

The New York State Reliability Council's (NYSRC") processes to establish the Installed Reserve Margin ("IRM") are in its established procedures.[18] The NYSRC procedures specify numerous steps, which begin on or about February 1 and ending mid-December each year. Those steps are depicted on the NYSRC's procedure timeline incorporated within the NYSRC's IRM Procedures.[19] Those process steps are followed by the NYSRC filing the IRM with the Commission and the New York Public Service Commission ("NYPSC"), which generally occurs in January, each of which act on the IRM filing generally in February. A process for creating an NCZ will utilize data that is developed in the IRM study and the IRM. For example, the study that determines the Locational Minimum Installed Capacity Requirements for each Locality is based on three key inputs: (1) the IRM; (2) an update of inputs since the completion of the IRM study the NYISO performs for the NYSRC, and (3) the Load forecast updates in December of each year. These requirements are calculated and presented to the NYISO's Operating Committee, at the earliest, in January of each year. The approval of them is conditioned upon, and they are not final until, the Commission and NYPSC act on the IRM. Therefore, there would need to be consideration of the relationship of the steps in these respective processes.

Any NCZ that is proposed would need to be accepted by the Commission in sufficient time for it to be implemented prior to the NYISO's determination of available Import Rights because the NYISO will need to consider whether the NCZ has an effect on their availability. The ISO Procedures were designed so that the NYISO notifies Market Participants in mid-February so that they can plan and make requests for available rights for the Summer Capability

[18]The New York Control Area (NYCA) Installed Capacity Requirement Establishment Timeline is defined in NEW YORK STATE RELIABILITY COUNCIL ("NYSRC") POLICY NO. 5-5, *Procedure for Establishing New York Control Area Installed Capacity Requirements* ("NYSRC IRM Policy"), available at <http://www.nysrc.org/pdf/Policies/Policy%205-5%20Final%206-20-11.pdf>.

[19] *See* NYSRC IRM Policy at p. 4, Table 2-1.

Period. Import Rights are determined through an assessment of the Import Limits and the Import Rights Deliverability Study, which is completed prior to each Capability year. As a result, the three-year cycle identified in the November Compliance Filing was designed such that the boundary of an NCZ can be identified and filed with the Commission for acceptance in the earlier stages of the IRM and load forecast analyses, thereby providing necessary lead time.

3. Time Needed for Implementation and Adjustments to the NCZ

An annual determination would also limit the amount of time available for the NYISO to implement, and for Market Participants to modify their processes and plans in response to any NCZs. Market Participant comments in this proceeding and in response to the NYISO's presentation to the ICAP Working Group, argued that time is needed to allow for the Market Participants' respective software development and adaptation to the existence of an NCZ.[20] An annual process would leave little, or even no time, for Market Participants to make necessary adjustments or for the NYISO to test its software and systems for the implementation of an NCZ.

C. Other Considerations

As part of its evaluation, the NYISO considered alternative approaches, such as performing the NCZ Study each year but only implementing an NCZ every three years in conjunction with the ICAP Demand Curve reset. The NYISO considered whether decoupling identification and reflection of the NCZ in the Class Year, from ICAP market implementation, could allow for the benefits of annual updates identified in Section A while minimizing the feasibility issues identified in Section B. The NYISO determined that such an approach might provide: (1) an early signal to the market of a pending Load Zone-specific need for capacity; and (2) additional information to Market Participants to facilitate decision making regarding investment and retirements.

To date, the NYISO has identified and describes below two approaches that may achieve this result. At this time, however, the NYISO has identified significant challenges to reflecting an NCZ in the Class Year Deliverability Study prior to the implementation of an NCZ in the ICAP market. Currently, the Deliverability study derives certain key inputs from the most recent IRM, including the Load Forecast Uncertainly for each Locality. If an NCZ is not yet reflected in the most recent IRM, these key inputs may not be available for the Class Year Deliverability Study. The NYISO would need to evaluate and vet this issue with stakeholders if considering either of the approaches discussed below.

The first potential approach is to perform the NCZ Study annually and to reflect any identified NCZ in the Class Year that commences after that study. Under this approach, however, the NCZs identified as being needed under the annual NCZ Study would not be

[20] *See* Motion to Intervene and Comments of Consolidated Edison Solutions at 3-4 (November 28, 2011); CES Comments - 2011 Nov. 28 at 3-4; Motion to Intervene of Hess Corporation at 2 (November 28, 2011); *see also* Multiple Intervenors Comments on New Capacity Zones Presentation at February 13, 2012 ICAP Working Group Meeting at 1-2 (February 24, 2012), available at <http://www.nyiso.com/public/webdocs/committees/bic_icapwg/meeting_materials/2012-02-13/Multiple_Intervenors_comments_NCZ.pdf>.

implemented in the ICAP auctions until the Capability Year for which the new ICAP Demand Curves are established after the next reset. This alternate process would allow for any System Deliverability Upgrade ("SDU") allocations resulting from that Deliverability study to more quickly reflect the existence of a new zone. However, it is not clear how much this approach would accelerate the reflection of the NCZ in the Class Year given that proposed tariff revisions to implement this change, and Commission action on those revisions, would be required. As discussed above, this shortened timeline limits the opportunity to resolve stakeholder concerns and issues prior to filing with the Commission. The NYISO believes that further analysis of all the implications of this approach is warranted, including whether it could result in market place uncertainty.

The second potential approach is aligning the NCZ Evaluation Process with the existing Class Year Deliverability Study process. This approach involves immediately reflecting in the Class Year Deliverability Study the NCZ shown as necessary by the analysis completed in that Class Year. The benefit of this approach is that it would avoid duplicative deliverability analysis and it would quickly reflect the NCZ in the Deliverability analysis, thereby avoiding the allocation of SDU that would otherwise be required. However, a significant impediment to the success of this approach is that it sets up a potentially iterative process that could significantly extend the time required to complete the Class Year study. Reflecting an NCZ in a Deliverability study fundamentally changes the analysis performed. This changed analysis could identify new SDUs late in the process, which would require significant additional study work to develop adequately detailed cost estimates. Furthermore, it is not clear how Commission acceptance of the NCZ and any implementing tariff language can be accomplished on a timeline that would support this approach. Thus, implementation of an NCZ midway through a Class Year process could serve to delay the process for all Class Year participants, even those that are not within the NCZ.

III. Planned Next Steps Regarding NCZ Process Frequency

The NCZ analysis process is designed to identify new zones that are needed to send improved new investment and retirement market price signals; therefore, there would be benefits to the evaluation of NCZs on a more frequent basis. However, the NYISO's analysis has determined that the only feasible option for its initial NCZ Evaluation Process is to proceed using a triennial process, as set forth in the November Compliance Filing. The NYISO proposes to reevaluate the feasibility of a more frequent process once the initial NCZ Evaluation Process is concluded. The NYISO's planned reevaluation will allow the NYISO to: (1) obtain the experience needed to identify other impacts of the creation of NCZs that should be considered; (2) determine what additional accommodations may be necessary to implement a more frequent process; and (3) identify ways to address some of the feasibility issues. It also provides an opportunity to evaluate the benefits of a feasible alternative approach.

The NYISO would discuss with stakeholders its review of the process and challenges after the Commission acts on the first tariff filing to create an NCZ, assuming one is identified in the first cycle. At that time, the NYISO and its stakeholders will have had an opportunity to better assess the process and its coordination with other NYISO processes. Therefore, the NYISO and stakeholders will have identified process issues and feasible ways in which they

might be addressed. The NYISO will also seek input from the independent Market Monitoring Unit for the NYISO ("MMU") regarding its reevaluation of the feasibility of a more frequent NCZ process.

This plan will allow the evaluation and potential creation of any NCZs that may be identified for the Capability Year beginning on May 1, 2014 to proceed as anticipated, while providing for further evaluation of a more frequent analysis. Any alteration of the three-year period at this time will require revisions to the NYISO's November Compliance Filing, which requires additional time for comments and Commission action on the revised proposal. Any delay in acceptance of tariff provisions needed to complete an initial NCZ Evaluation Process could potentially delay the first NCZ Study, the initial steps of which are planned to occur in late summer 2012.

IV. NYISO's Market Monitoring Unit

The NYISO's analysis included consultation with the MMU, and the MMU has reviewed the NYISO's report and its conclusions. The NYISO's understanding is that the MMU believes that an annual process is more desirable.

V. Stakeholder Comments

The NYISO reviewed and discussed its desirability and feasibility analysis with its stakeholders, including presenting the information at the February 13 ICAP Working Group meeting. On February 24, written comments were received from the New York Transmission Owners and Multiple Intervenors regarding the ICAP Working Group presentation. Both comments supported the NYISO's proposal of a three-year cycle to evaluate and implement NCZs. No stakeholders have indicated that an annual period to create NCZs is feasible or desirable.

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 8th day of March, 2012.

/s/ Joy A. Zimberlin

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