

August 5, 2014

By Electronic Filing

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

***Re: New York Independent System Operator, Inc., Docket No. ER13-298-____,
Compliance Filing Eliminating Mitigation Limits for 10-Minute Non-
Synchronized Reserve and New York City Day-Ahead Market Spinning Reserve***

Dear Secretary Bose:

On November 2, 2012, the New York Independent System Operator, Inc. (“NYISO”) filed proposed tariff revisions to allow the NYISO to phase in, over three or more steps, the removal of the \$2.52/MWh reference level cap on 10-Minute Non-Synchronized Reserve and the must Bid limit of \$0/MWh on New York City Day-Ahead Market (“NYC DAM”) Spinning Reserve (“November 2012 Filing”). The Commission accepted these revisions in its January 4, 2013 *Order Accepting Proposed Tariff Revisions*.¹

The November 2012 Filing included proposed tariff changes to implement the first phase, or step, by increasing the reference level cap on 10-Minute Non-Synchronized Reserve² to \$5.00/MWh and increasing the must Bid limit on NYC DAM Spinning Reserve to \$5.00/MWh or less. These revisions became effective January 22, 2013.

¹ *New York Independent System Operator, Inc.*, Docket No. ER13-298-000 (unpublished letter order issued January 4, 2013).

² Capitalized terms not specifically defined herein have the meaning set forth in the NYISO’s Market Administration and Control Area Services Tariff (“Services Tariff”) or in its Open Access Transmission Tariff (“OATT”).

The November 2012 Filing also indicated that the NYISO would make future informational compliance filings and provide revised tariff language to implement the balance of the phase-out plan, as approved by the Commission in this docket, following the recommendation of the NYISO's Market Monitoring Unit ("MMU"), Potomac Economics. This is the second and final of those informational compliance filings including revised tariff sections.

The NYISO implemented the step-two increases on September 25, 2013 by increasing the reference level cap on 10-Minute Non-Synchronized Reserve to \$10.00/MWh and increasing the must Bid limit on NYC DAM Spinning Reserve to \$10.00/MWh or less, pursuant to the MMU's August 21, 2013 recommendation.³

Since implementation of the step-two increases on September 25, 2013, the MMU has again evaluated the competitiveness of both the 10-Minute Non-Synchronized Reserve market and Spinning Reserve market. The MMU analyzed the implementation of step-two limits from February through June, 2014. On July 21, 2014, the MMU presented, to the NYISO and Market Participants, its recommendation to move to the third step of the phase-out of these mitigation measures.⁴ Step three of the phase-out, as described in the NYISO's November 2012 filing, is to eliminate the reference level cap on 10-Minute Non-Synchronized Reserve and the must Bid limit on NYC DAM Spinning Reserve.

The NYISO, based on the MMU's recommendation, hereby eliminates the reference level cap on 10-Minute Non-Synchronized Reserve and the must Bid limit on NYC DAM Spinning Reserve effective August 25, 2014. As described in the Implementation Plan portion of the NYISO's November 2012 Filing, this compliance filing includes revised tariff sections eliminating the limits specified in Services Tariff Sections 23.3.1.4.5 and 23.5.3.3 and corresponding revisions to Services Tariff Section 30.4.6.2.12.

I. DOCUMENTS SUBMITTED

1. This filing letter;
2. A clean version of the proposed revisions to the NYISO's Services Tariff ("Attachment I"); and
3. A black lined version of the proposed revisions to the NYISO's Services Tariff ("Attachment II").

³ See the MMU presentation to the Market Issues Working Group at http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_miwg/meeting_materials/2013-08-21/MMU%20Evaluation%20of%20DAM%20Reserve%20Offers.pdf.

⁴ See the MMU presentation to the Market Issues Working Group at http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_miwg/meeting_materials/2014-07-22/MMU%20Evaluation%20of%20DAM%20Reserve%20Offers%202014%20MIWG.pdf.

II. SERVICE LIST

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 all parties listed on the Commission's official service list in Docket No. ER13-298-000, to the New York Public Service Commission, and to the New Jersey Board of Public Utilities. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

III. CONCLUSION

The NYISO respectfully submits this compliance filing, consistent with the November 2012 Filing and January 4, 2013 Order, to notify the Commission that the NYISO intends to implement the third step on August 25, 2014 as reflected in the attached Services Tariff sections.

Respectfully submitted,

/s/ James H. Sweeney

James H. Sweeney

New York Independent System Operator, Inc.

cc: Michael Bardee
Gregory Berson
Anna Cochrane
Jignasa Gadani
Morris Margolis
Michael McLaughlin
David Morenoff
Daniel Nowak