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July 31, 2015

By Electronic Delivery

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

**Re: *New York Independent System Operator, Inc.*'s Proposed Tariff Revisions
to Enhance ICAP Spot Market Auction Credit Requirement; Docket No.
ER15 - ____-000**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. ("NYISO") hereby submits revisions to Attachment K of its Market Administration and Control Area Services Tariff ("Services Tariff").² The NYISO is proposing to enhance its ICAP Spot Market Auction credit requirement to more accurately reflect the NYISO's credit exposure by providing for the netting of a Market Participant's purchases and sales across localities when calculating the Market Participant's bidding requirement. The Management Committee unanimously approved the proposed tariff revisions on March 31, 2015.

The NYISO requests that the Commission issue an order accepting the proposed tariff revisions by September 30, 2015, with an effective date of October 28, 2015, in accordance with the notice requirements in section 35.3(a)(1) of the Commission's regulations. The period between the date of the Commission's order and the proposed effective date provides time for the NYISO to finalize the software enhancements necessary to implement the tariff revisions prior to the effective date.

¹ 16 U.S.C. § 824d.

² Capitalized terms used in this filing letter but not defined herein shall have the meanings given to them in the Services Tariff.

I. List of Documents Submitted

The NYISO submits the following documents:

1. This filing letter;
2. A clean version of the proposed revisions to the Services Tariff (Attachment I); and
3. A blacklined version of the proposed revisions to the Services Tariff (Attachment II).

II. Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

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* Persons designated to receive service.

III. Service

The NYISO will send an electronic link to this filing to the official representative of each of its Market Participants, to each participant on its stakeholder committees, 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.

IV. Background

A Market Participant with a capacity obligation may procure capacity to satisfy its obligation through certified bilateral sales or a NYISO-administered ICAP auction. The NYISO administers three types of ICAP auctions: (i) Capability Period Auction; (ii) Monthly Auction; and (iii) ICAP Spot Market Auction. Participation in the Capability Period Auction and the Monthly Auction is voluntary for all Market Participants. In contrast, any Market Participant with a capacity obligation that has not met its obligation for any given month must participate in the ICAP Spot Market Auction for that month.

Each Market Participant in the ICAP Spot Market Auction is required to post credit support to Bid in the auction (“credit requirement”) to cover its deficiency in capacity. The credit requirement differs by locality and is determined based on the number of deficient megawatts and the most recent monthly auction price (for the locality), plus a margin. A Market Participant’s total credit requirement equals the sum of the credit requirements for each locality where the Market Participant is deficient. The credit support posted by a Market Participant to cover its credit requirement is typically held by NYISO for less than one week.

The current methodology does not account for the situation where a Market Participant is deficient in one locality but has excess capacity in another locality. As a result, the Market Participant’s credit requirement is likely overstated and does not accurately reflect the NYISO’s credit exposure because it is not reduced by the Market Participant’s sale of its excess capacity.

Under the proposed tariff revisions, a Market Participant that is required to post credit support for a deficiency in one locality in the ICAP Spot Market Auction will have its credit requirement offset to the extent of its sale of excess capacity in another locality.

V. Description of Proposed Revisions

Services Tariff Section 26.4.3(iv) establishes the credit requirement for a Market Participant to participate in the ICAP Spot Market Auction. This credit requirement equals the sum of the credit requirements for each locality where the Market Participant is deficient.

With this filing, the NYISO is proposing revisions to Services Tariff Section 26.4.3(iv) to allow a Market Participant to offset its ICAP Spot Market Auction credit requirement to the extent of any excess capacity the Market Participant offers into the ICAP Sport Market Auction.³ Under the proposed tariff revisions, a Market Participant with excess capacity in any locality could offer this capacity into the ICAP Spot Market Auction at a price of \$0.00 prior to the close of certification. The offer would become binding upon certification close and the \$0.00 price would ensure that the capacity is sold. Under the proposed tariff revisions, the Market Participant’s ICAP Spot Market Auction credit requirement would be reduced to the extent of the Market Participant’s sale of excess capacity in another locality in the ICAP Spot Market Auction.

These revisions will reduce credit requirements for some Market Participants and establish a methodology for determining the ICAP Spot Market Auction credit requirement that more closely aligns with the NYISO’s actual credit risk.

³ These offers would not be made via the Enter Offer screens, but rather on the Allocate Sales screen prior to certification close.

VI. Effective Date

The NYISO respectfully requests Commission action within sixty days from the date of this filing (*i.e.*, September 30, 2015) and an effective date of October 28, 2015. The period between the date of the Commission's order and the effective date provides time for the NYISO to finalize the software enhancements necessary to implement the proposed tariff revisions prior to the effective date.

VII. Requisite Stakeholder Approval

The NYISO and Market Participants collaboratively developed the proposed tariff revisions at meetings of the Credit Policy Working Group in September and November 2013. In 2014, the software revisions required to implement the proposed tariff revisions were added to the NYISO's 2015 project plan. The Credit Policy Working Group affirmed the proposed tariff revisions in January 2015. The Business Issues Committee approved the proposed tariff revisions unanimously, with abstentions, on March 11, 2015. The Management Committee approved the proposed tariff revisions unanimously on March 31, 2015. On April 21, 2015, the Board of Directors authorized NYISO management to file the proposed tariff revisions pursuant to Section 205 of the Federal Power Act.

VIII. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept the proposed tariff changes identified in this filing.

Respectfully submitted,

/s/ Heather S. Glass

Heather S. Glass

Counsel to the

New York Independent System Operator, Inc.

cc: Michael Bardee
Gregory Berson
Anna Cochrane
Morris Margolis
David Morenoff
Daniel Nowak
Kathleen Schnorf
Jamie Simler
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