

April 13, 2011

ELECTRONICALLY SUBMITTED

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

Re: New York Independent System Operator, Inc.'s Supplement to First
Informational Report on Efforts to Develop Rules Addressing Compensation to
Generators that Are Determined to be Needed for Reliability;
Docket No. ER10-2220-000

Dear Secretary Bose:

In accordance with paragraph 54 and ordering paragraph "(C)" of the Federal Energy Regulatory Commission's ("Commission's") October 12, 2010 *Order On Proposed Mitigation Measures* in Docket No. ER10-2220-000 ("Order"),¹ the New York Independent System Operator, Inc. ("NYISO"), hereby submits this *Supplement to First Informational Report on Efforts to Develop Rules Addressing Compensation to Generators that Are Determined to be Needed for Reliability* ("Supplement"). **In footnote 44 of its Order the Commission stated that it does not intend to issue public notices, accept comments, or issue orders on the informational reports that the NYISO submits in this Docket.**

The NYISO's description of the "Documents Submitted" with its *First Informational Report* stated that Attachment B thereto would include "an alternative proposal submitted by the Independent Power Producers of New York ("IPPNY")." In compliance with the cited sections of the Order, and consistent with the description of the documents that the NYISO stated would be included in Attachment B to its *First Informational Report*, the NYISO submits herewith the page of draft talking points that IPPNY shared with the NYISO staff, and that the NYISO staff described on slide 8 of the March 31, 2011 Market Issues Working Group ("MIWG") presentation that was included as Attachment C to the NYISO's *First Informational Report*. IPPNY has indicated that it plans to present a more complete proposal that will take into consideration the discussions that occurred at the March 31, 2011 MIWG meeting at an upcoming joint meeting of the NYISO's MIWG and its Electric System Planning Working Group.

¹ *New York Independent System Operator, Inc.*, 133 FERC ¶ 61,030.

This Supplement will be posted on the NYISO's website at www.nyiso.com. In addition, the NYISO will e-mail an electronic link to this Supplement 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.

Respectfully submitted,

/s/ Alex M. Schnell

Rana Mukerji, Senior Vice President of Market Structures

Robert E. Fernandez, General Counsel

Shaun Johnson, Manager of Energy Market Products

Alex M. Schnell

New York Independent System Operator, Inc.

April 13, 2011

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service lists 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, New York this 13th day of April, 2011.

/s/ Alex M. Schnell

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Christopher@ippny.org

To: NYISO Staff
From: Chris LaRoe
Date: March 14, 2011
Re: Reliability Resource Compensation

The following is the framework for an IPPNY proposal that could serve as an alternative to the NYISO proposal that was presented at the February 10, 2011 MIWG.

IPPNY Proposal

- A resource can request a confidential reliability study from the NYISO (and TO as necessary).
 - *NYISO should conduct the study in 30 or 60 days*
- Regardless of study findings a resource may stay in the market if it so chooses.
- If the generator decides to retire:
 - *If it's needed for reliability, the resource may seek a RMR type contract from FERC as soon as the resource submits its retirement notice to the PSC. This needs to be explicitly stated in the tariff to avoid procedural arguments.*
 - *Att. Y would proceed as currently defined. The FERC contract would be in place until the Gap solution or Reliability Backstop solution is put in place.*
 - *If the resource is not needed for reliability (as determined above), it should be allowed to retire immediately.*
- The unit should be removed from the Capacity market as soon as it files to retire
- The unit must bid in economically into the Energy markets

-End-

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