

August 10, 2011

By Electronic Delivery

Honorable 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 Proposed Tariff Revisions Related to Grandfathered Rights and Grandfathered TCCs; Docket No. ER11-____-____

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act¹ and Part 35 of the Commission's regulations,² the New York Independent System Operator, Inc. ("NYISO") hereby submits amendments to its Open Access Transmission Tariff ("OATT") and Market Administration and Control Area Services Tariff ("Services Tariff") regarding provisions related to Grandfathered Rights and Grandfathered TCCs.³ Specifically, the NYISO proposes to revise its OATT to: i) update the list of Transmission Agreements and related Grandfathered Rights and Grandfathered TCCs previously granted to NYISO customers holding those Transmission Agreements; ii) establish a method for making ongoing updates to such Grandfathered Rights and Grandfathered TCCs; and iii) clarify certain rules related to such Grandfathered Rights and Grandfathered TCCs. The NYISO also proposes clerical / ministerial changes to the listings of several TCCs in Section 19 of the OATT. Changes to the Services Tariff are also proposed for the sole purpose of conforming the provisions of the Services Tariff to the revisions proposed for the OATT.

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 OATT ("Attachment I");

¹ 16 U.S.C. § 824d (2008).

² 18 C.F.R. § 35 *et seq.* (2009).

³ Capitalized terms that are not otherwise defined herein shall have the meaning specified in Section 1 of the OATT.

3. A clean version of the proposed revisions to the Services Tariff (“Attachment II”);
4. A blacklined version of the proposed revisions to the OATT (“Attachment III”);
5. A blacklined version of the proposed revisions to the Services Tariff (“Attachment IV”); and
6. Basis for Changes to OATT Attachment L, Table 1A (“Attachment V”).

II. Background and Overview

Prior to the existence of the NYISO, parties purchasing power from distant power plants and other parties seeking to wheel power through neighboring service territories frequently entered into transmission agreements with providers of transmission across New York State (“Existing Transmission Agreements”). Many of these contracts were entered into several decades prior to NYISO start-up and extended for several years beyond NYISO start-up. From time to time, the terms of these Existing Transmission Agreements (“ETAs”) may be revised or the contracts cancelled, pursuant to provisions that allowed revisions or early cancellation.

At the time of NYISO start-up, Grandfathered Rights were allocated to NYISO customers as a mechanism for honoring these pre-existing transmission agreements. Section 18.1.1 of the NYISO OATT includes Attachment L, Table 1A (“Table 1A”), which contains a list of all Existing Transmission Agreements that were identified at the time of NYISO start-up as entitling NYISO customers to Grandfathered Rights. Parties listed in Table 1A as being entitled to Grandfathered Rights were given a one-time opportunity to convert their Grandfathered Rights into Grandfathered TCCs, which many of them did.

These Grandfathered Rights and Grandfathered TCCs were intended to put the buyers of transmission rights under ETAs in the same position following NYISO start-up as they were under the ETA itself, *i.e.*, to honor the terms of the ETA, as they may change from time to time. To effectuate this intent, Grandfathered Rights and Grandfathered TCC holders are exempt from certain NYISO charges. More specifically, Grandfathered Rights and Grandfathered TCCs impact the following settlements under the NYISO tariffs: (i) transmission service charges, which are assessed to NYISO customers other than Grandfathered Rights and Grandfathered TCC holders; (ii) congestion charges, which are assessed to NYISO customers other than Grandfathered Rights holders; (iii) congestion rent payments, which are payable to TCC holders including Grandfathered TCC holders; (iv) Net Congestion Rent allocation factors, which are used to allocate hourly congestion rent shortfalls among Transmission Owners; and (v) the award of Fixed Price TCCs to parties to expired ETAs. In addition, Grandfathered Rights and Grandfathered TCCs are included in TCC auction assumptions and therefore impact the availability of TCCs for purchase by other customers.

Initially, all Grandfathered Rights and Grandfathered TCC information was as listed in Table 1A. Over time, however, this information grew increasingly incorrect, as the ETA holders modified the service available under the ETAs or terminated them early. Because the NYISO settles with Grandfathered Rights / Grandfathered TCC holders on the basis of the terms of the underlying ETAs themselves, the NYISO modified the basis of its settlements to reflect these changes whenever the NYISO was notified that a change had occurred and was provided with substantiating documentation.

The differing nature of the information upon which the NYISO now settles these Grandfathered Rights and Grandfathered TCCs and the information describing these instruments that is contained in Table 1A may create ambiguity as to the Grandfathered Rights and Grandfathered TCCs in effect at any time and the accuracy of NYISO settlements. To correct this ambiguity the NYISO proposes, as described in Section III. A. below, to file a revised Table 1A with corrected and updated entries that have been reviewed and accepted by the parties to the underlying ETAs.⁴ To avoid this ambiguity in the future, the NYISO proposes to initiate a new process, described in Section III. B. below, to organize, and immediately publish on the NYISO website, updates and revisions to the listings in Table 1A (known as “Accepted Revisions”) between formal FERC-accepted updates to Table 1A as such changes become known to the NYISO. The NYISO, as well as NYISO customers, will always have the option to propose revisions to Table 1A directly to the Commission pursuant to Section 205 or Section 206 of the Federal Power Act, as is explicitly provided for in proposed OATT Attachment K, Section 17.1.

The balance of the tariff revisions proposed herein are clarifications to the existing provisions of the NYISO OATT that explain the responsibilities of the holders of Grandfathered Rights and Grandfathered TCCs and of the NYISO in settling those instruments.

III. Justifications for, and Descriptions of, Proposed Revisions to the OATT

A. Update of Section 18 Attachment L:

1. Update to Section 18.1.1 Attachment L, Table 1A, List of Grandfathered Rights and Grandfathered TCCs

As mentioned, the number and characteristics of the Grandfathered Rights and Grandfathered TCCs held by NYISO customers are intended to change as the underlying ETAs are modified or cancelled. Therefore, it is important that the NYISO learn about and incorporate into settlements all changes to ETAs. However, because the NYISO is not a party to the ETAs, it relies upon the NYISO customers that are parties to such ETAs to provide the NYISO with such information. Whenever the NYISO has learned of such changes, the NYISO has, to date,

⁴ There is one exception to the acceptance of the current table 1A entries noted in footnote 8.

reflected such changes in its models and settlements.⁵ However, an updated list of ETAs that form the basis for Grandfathered Rights and Grandfathered TCCs, as set forth in Table 1A, has not been submitted for Commission acceptance since NYISO start-up.

The revisions to Table 1A being proposed in this filing have been provided by Transmission Owners and other parties to ETAs.⁶ All proposed revisions were reviewed by the NYISO based on evidence of the changes that NYISO customers provided. However, consistent with past practice, the NYISO has relied upon the parties to the ETAs to confirm the accuracy of the proposed revisions; the NYISO has not independently researched the changes beyond reviewing the materials provided to ensure their consistency with the proposed revision.⁷

A complete proposed set of revisions to Table 1A was agreed to by the NYISO Market Participants at the December 2010 Management Committee meeting and is set forth in Attachment I and Attachment III to this letter. It contains numerous revisions.⁸ The NYISO provides, as Attachment V to this filing, a chart providing the basis for the Table 1A revisions. In addition to the revisions proposed to the details of individual ETAs listed in line items 1-218 on Table 1A, the NYISO proposes several ministerial, nonsubstantive, revisions to this Table, as described on page six.

⁵ In addition, the NYISO has taken other measures to confirm the accuracy of all Grandfathered Rights and Grandfathered TCCs. Specifically, the NYISO has instituted procedures requiring the regular certification of the accuracy of the NYISO's Grandfathered Rights and Grandfathered TCC information.

⁶ In addition to recording the changes provided by ETA signatories since start-up, the NYISO presented an updated Table 1A to its stakeholders on numerous occasions since 2004, with the intent of allowing stakeholders to confirm revisions noted, correct any errors, or propose additional necessary changes.

⁷ The review process is generally self-policing. Because there is a "buyer" of transmission service and a "seller" of transmission service that are each a party to an Existing Transmission Agreement, one party or the other can be expected to raise concerns over improper changes and to ensure that all appropriate changes are made.

⁸ In preparing the revised Table 1A, one proposed change was disputed by the recipient of transmission service under the ETA and the NYISO did not include the change. Specifically, the provider of transmission service under contract #65 identified several changes to contract #65. These changes were disputed by the recipient of transmission service. The NYISO also noted that the changes would create incongruities with other portions of contract #65. Accordingly, the changes were not included in the proposed revised Table 1A. The NYISO notes that this is the practice contemplated by the Tariff revision for Section 17.9.3.2 and that proposed changes that are disputed require clarification from the Commission. The NYISO has encouraged the parties to submit appropriate documentation to the Commission as part of this proceeding to the extent they believe changes should, or should not, be made to contract #65.

In addition, the Attachment L Table 1A approved by the Management Committee did not include the changes made herein to Contracts 74.5 and 80. Subsequent to that presentation, the applicable Transmission Owner for each contract submitted changes using the process included here in Section 17.9.3 of the OATT. Such changes were confirmed by the other party to the ETA. The NYISO has provided the justifications for each of these entries in Attachment V.

In addition, the NYISO proposes to precede the listing of ETAs in Table 1A with a set of Administrative Rules providing information of general interest and explaining several entries in Table 1A. These propose to explain, in the order presented:

1. The location, on the NYISO website, of a list of Accepted Revisions;
2. A description of how contract 5 is modeled;
3. A description of the declining allocation of MWs in contracts 49.1 and 49.2, pursuant to the terms of the contracts. These declining MWs are reflected in settlements;
4. The former Note 10, under Table 1A Notes, is relocated as the fourth Administrative Rule. The NYISO also proposes to add a matrix to this Administrative Rule indicating the NYISO-proposed revisions to named Points of Injection (“POIs”) and Points of Withdrawal (“POWs”) listed in Table 1A. These revisions replace existing listings in Table 1A of utility service territories with specific zones as the NYISO settles to specific zones rather than service territories. This matrix also supplies the recognized names of buses as revisions for buses that are listed in Table 1A with non-traditional nomenclatures. As such, this matrix identifies those revisions made to Table 1A to utilize recognized POIs and POWs for Grandfathered Rights and Grandfathered TCCs listed;
5. A description of how contract 215 is modeled;
6. A clarification regarding termination dates in Table 1A where termination dates are currently listed as a specific calendar date. It is not clear whether this means that termination is as of the first hour of such date or the last hour of such date. The NYISO also proposes to explain the hour for which it will consider an ETA change to be effective when such change is the result of the occurrence of an event or contingency (such as the retirement of a generating facility). The NYISO proposes as its sixth Administrative Rule the presumption that all terminations are at the end of the last hour of the termination date listed or the last hour of the date the contingency occurred as provided in the notice required by Attachment K, though if an ETA provides otherwise then the NYISO will reflect the hour of termination specified in the ETA;
7. An explanation that a party listed in parenthesis under the Table 1A column “Requestor and Primary Holder” has been appointed to act on behalf of the party holding transmission rights for purposes of NYISO settlements is proposed as the seventh Administrative Rule. This parenthetical listing is a mechanism to allow parties to identify a holder that is different than the party to the applicable ETA. The party listed in parentheses is the party appointed to hold the transmission rights for NYISO settlement;

8. An explanation that POWs listed in parenthesis in the POW column indicate that the underlying ETA allows for “redirect rights,” allowing the party to the ETA to change the endpoints of the transmission service, as provided for in a small number of ETAs, is proposed as the eighth rule;
9. An explanation that the capacity figures in Table 1A do not constitute a right to schedule transmission service independent of the underlying ETA is proposed to be relocated from the former footnote 12 as the ninth Administrative Rule.

In Table 1A itself, the NYISO proposes several clarifications which are non-substantive. First, the NYISO proposes to drop from the title of Table 1A, the word “Existing” because Table 1A lists expired ETAs as well as currently effective ones. The NYISO proposes to add the phrase “and Primary Holder” to the column titled “Requestor” for clarification. The term “Primary Holder” is the defined term used frequently in the tariff and the Requestor of Transmission Service under the ETA becomes, with the clarifications listed below, the Primary Holder of the Grandfathered Right or Grandfathered TCC. The MW column is proposed to indicate that the MW entry is from the ETA itself. The “from” and “to” columns are renamed with the abbreviations for Point of Injection (POI) and Point of Withdrawal (POW), which are defined terms, and the phrase Contract Expiration (Cont. Exp.) is clarified to indicate it may also be the contract’s termination date. Table 1A columns titled Sum MW and Win MW are clarified to indicate that the MWs of the ETA are during the summer and winter Capability Periods.

The NYISO proposes revisions to FERC Rate Schedule Designations to amend entries showing “OATT” to indicate the Host Transmission Owner’s OATT and to correct inadvertent errors in the column that were included in original Attachment L filing. None of the changes have any substantive impact.

In Table 1A, the NYISO proposes to separately number, as ETA subparts, those ETAs which require service from multiple Transmission Providers and /or multiple POIs and POWs. For several of these multiple-subpart ETAs, the NYISO has continued, as a summary listing, the ETA showing the originating POI and the terminating POW at the full MW level (*see: e.g.* Contracts 82, 84, 88).

Wherever the term “Proxy Bus” is used in a cell of Table 1A, the NYISO proposes to replace it with the defined term “Proxy Generator Bus.” Changes proposed to the Contract Establishment Dates in Table 1A are for informational and historical purposes only.

As mentioned, the NYISO provides the basis for the proposed changes to the cells of Table 1A in Attachment V. The NYISO also proposes several non-substantive clarifications to the seventeen footnotes that appear at the end of Table 1A. In addition, and as noted above, the NYISO proposes to delete footnote 10 as its information is now provided by the fourth Administrative Rule and to delete footnote 12 as its explanation is now provided in the tenth Administrative Rule.

2. Deletion of Outdated Attachment L Tables; Update of ETCNL Listings in Table 3

In addition to the changes to Table 1A described in Section III.A.1 above, several tables contain information that is either historic or not relevant to NYISO determinations and they should be amended or deleted. As well, Attachment L contains information regarding ETCNL that requires clarification and updating. Accordingly, the NYISO proposes to make the following deletions and revisions to these Attachment L tables:

1. Table 1B lists Existing Short-Term Transmission Wheeling Agreements. As can be seen from the information contained in Table 1B, all Existing Short-Term Transmission Wheeling Agreements expired more than a decade ago. Thus, the NYISO proposes to delete Table 1B.
2. Table 2 lists all Existing Transmission Facility Agreements (“TFAs”). Transmission Facility Agreements listed in Table 2 govern the allocation of charges for installing, owning, operating, and maintaining certain transmission facilities used to provide Transmission Service under the NYISO OATT.⁹ But for the costs of Station 80 capacitors and the Ramapo Phase Angle Regulators, the NYISO is not involved in any settlements related to the agreements currently listed in Table 2. These agreements are not otherwise relevant for any other NYISO purpose and accordingly, the NYISO proposes to delete all TFAs listed in Table 2 with the exception of those on existing lines 23 through 31, named “Station 80” or “Station 80 Capacitors,” and those on existing lines 32 through 39 named “Ramapo Phase Angle Regulators” or “Ramapo PARs.” The NYISO has certain settlement obligations with regard to these two TFAs. The listing of Transmission Facility Agreements for which the NYISO has no obligations, settlements or otherwise, is not necessary and all but the two TFAs mentioned above should be deleted.
3. The NYISO proposes to revise items numbered 2, 3, and 14-17 of Table 3 to replace the description of those endpoints of ETCNL for which the NYISO does not calculate LBMP prices with nearby endpoints. These revisions will make Table 3 consistent with Table 2 of Attachment M of the OATT.
4. The NYISO proposes to delete note 1 in Table 3 as the reduction of ETCNL due to infeasibility is described in Section 19.8.2 of Attachment M and the note here is redundant and unnecessary. The NYISO also proposes to add several notes to Table 3. First, the designations of endpoints for ETCNL listed in Table 3 are designated as being utility service territories. The NYISO models to specific “zones” and buses, and footnote 2 of Table 3 provides recognized points of injection and points of withdrawal for each ETCNL. Second, unique terms of

⁹ See: the defined term Transmission Facility Agreement in Section 1.20 of the NYISO OATT,

ETCNL #1 and #4 require explanatory notes that are not easily reflected in Table 3 itself. These notes are included as proposed notes 3 and 4.

5. The NYISO proposes to make revisions to lines 5, 6, 7, and 18 of Table 3 for purposes of consistency with listings in Table 1A.
6. Table 4 lists grandfathered transmission service by interface. The summary information provided in this table can be recreated by the reader from the data in Attachment L, Table 1A. Since the summary data on this table is currently outdated and can be created by anyone interested in summary data, the NYISO proposes to delete Table 4.

B. Proposed Revisions to Section 17, Attachment K:

1. Section 17.1

The NYISO proposes to amend Section 17.1 to add a comprehensive list of all types of Existing Transmission Agreements (“ETAs”) that are described in Section 17 of the OATT. The NYISO also proposes to delete from Section 17.1 the discussion regarding the contingency to the effectiveness of Attachment K based on certain amendments to Existing Transmission Agreements. This historical note is no longer relevant as the effectiveness of Attachment K is no longer contingent on any amendments. The NYISO also proposes to specifically indicate that the provisions of this section do not impact other rights parties may have under the Federal Power Act, or otherwise, to modify their ETAs.

2. Section 17.2

The NYISO proposes to broaden the title description of this Section to reflect the contents of the amended Section 17.2.

The NYISO proposes to number the first paragraph of Section 17.2.1 as Section 17.2.1.1 and to clarify the timeframes provided. The NYISO proposes several minor wording clarifications, and to renumber the last phrase regarding losses in 17.2.1.1(iii) as 17.2.1.1(iv). The NYISO proposes to delete the existing Section 17.2.1.1(v), as the actions described in this provision have already been performed and to delete previous Sections 17.2.1.1 and 17.2.1.2, which reference actions to be taken prior to the end of the LBMP Transition Period as the LBMP Transition Period has now passed.

The NYISO proposes to number the second to last paragraph of Section 17.2.1, which establishes the general requirement that Grandfathered Rights and Grandfathered TCCs survive only so long as the underlying ETA survives, as Section 17.2.1.2. The NYISO also proposes to clarify the terms “Point of Injection” / “Point of Withdrawal” and to delete the cross reference to Sections 17.3 and 17.4 as unnecessary.

The NYISO proposes to amend Section 17.2.2 to improve its readability by introducing consistent terminology and by eliminating redundant or unnecessary phrases. The NYISO proposes to number the first paragraph of Section 17.2.2 as Section 17.2.2.1 and to clarify the provisions of 17.2.2.1 and 17.2.2.2 by revising and renumbering them. The NYISO proposes to delete provisions from existing sections 17.2.2.2 and 17.2.2.3 describing purchases and sales in the LBMP Market and the use of bilateral contracts and transmission service as redundant of provisions in the Services Tariff, Section 4 (purchase and sales in the LBMP Market) and the OATT, Attachment J, Section 16 (bilateral contracts and transmission service). These rights exist without regard to the status of the Third Party TWA Holder's Grandfathered Right or Grandfathered TCC. The NYISO also proposes to individually number the two paragraphs following existing paragraph 17.2.2.3.

For clarification, and to avoid unnecessary redundancy, the NYISO proposes to amend the Section proposed to be numbered 17.2.2.3 to delete the description of the exemption from paying the congestion component of the TUC, which is addressed more comprehensively in Attachment K Section 17.3.1. and to revise and move the language contained in its last paragraph to a new Section 17.2.5.3.

The NYISO proposes to clarify Section 17.2.3 generally and to add language clarifying that no rights or obligations will be associated with those Transmission Wheeling Agreements that are listed as "terminated" in Table 1A. These contracts were terminated prior to NYISO start-up, but are retained in Table 1A for reference purposes.

The NYISO proposes to amend Section 17.2.4 to eliminate the last phrase in this section as the period of time in which this action could be taken has expired. An historical reference to this conversion opportunity is added as a new Section 17.2.5.2.

The NYISO proposes to insert a new Section 17.2.5 to describe the origination of entries in Table 1A. Section 17.2.5.1, describing the Grandfathered Rights and Grandfathered TCCs that were created from MWAs, Third Party TWAs, and TFAs, addresses the substance of the material currently contained in Attachment K Section 17.4 and is added here for clarity. The NYISO proposes to add a new provision in Section 17.2.5.2 to further clarify that the provisions of Section 17.2.5.1 (i) and (ii) are historical and the opportunity to convert Grandfathered Rights to Grandfathered TCCs has expired. As previously mentioned, the NYISO also proposes to relocate to a new Section 17.2.5.3 the last paragraph of language in the Section proposed to be renumbered Section 17.2.2.3. The revisions streamline the concepts described previously which are of historical significance only.

The NYISO proposes to renumber Section 17.2.5 as Section 17.2.6 and to delete the description of the methodology for reducing ETCNL, and the obligation to release all ETCNL not converted into ETCNL TCCs into an auction, because those provisions are already addressed in Attachment M of the OATT which cross-reference the NYISO proposes to note at the end of this Section.

3. Section 17.3

The NYISO proposes to modify Section 17.3 to describe those provisions related to scheduling Grandfathered Rights and settlements related to congestion for holders of Grandfathered Rights and Grandfathered TCCs. Clarifications proposed for Section 17.3.1 improve readability and add a requirement that the holder of the Grandfathered Right schedule its injection and withdrawal in accordance with ISO Procedures to obtain Congestion Rent relief. As described, holders of Grandfathered Rights are entitled to schedule transactions without being assessed congestion charges. However, the holder of the Grandfathered Right must alert the NYISO to the use of the Grandfathered Right at the time of scheduling of the transaction in accordance with NYISO procedures, or the transaction will not be eligible for such treatment. The provisions regarding compensation for unused transmission capacity are relocated from the bottom of the paragraph and the provisions on reselling Grandfathered Rights are relocated to new Section 17.8.1.

The NYISO proposes to delete as outdated and unnecessary the first paragraph of Section 17.3.2, describing how the contract rate, which MWA and TFA customers pay for transmission service in accordance with the terms of their ETAs, was established at the outset of the NYISO and how it may be revised. The NYISO is not involved in the establishment or revision of the transmission contract rate paid by holders of Grandfathered Rights and Grandfathered TCCs. The NYISO proposes to relocate the detailed provisions related to losses currently found in the last paragraphs of Sections 17.3.2 and 17.3.3 to a new Section 17.5.1 (for MWA and TFA customers) and a new Section 17.5.2 (for Third party TWA customers) which are also described below. The first paragraph of Section 17.3.3 is proposed for deletion as redundant of Section 17.4.2's provisions.

The NYISO proposes a new Section 17.3.2 describing the eligibility of holders of Grandfathered TCCs to pay or receive Day-Ahead Congestion Rent and the obligation to pay marginal losses. As mentioned, a detailed description of the obligation to pay for losses is included in new Sections 17.5.1 and 17.5.2 described below.

4. Section 17.4

The NYISO proposes to retitle Section 17.4 "Obligation to Pay Contractually Agreed Transmission Rates; Relief from TSC" and to delete its first paragraph and begin the section with Section 17.4.1. The first paragraph, describing the process of converting Grandfathered Rights to Grandfathered TCCs, should be deleted as the conversion process was completed eleven years ago and is no longer available.

The NYISO proposes to amend the title for Sections of 17.4.1 and 17.4.2 to more accurately reflect their provisions. The NYISO proposes to delete from the first paragraph of Section 17.4.1 language describing the basis of the contract rate to be paid during the LBMP Transition Period as that period has expired. In addition, the NYISO proposes a slight revision to the first paragraph description of the MWA and TFA Customers' obligation to pay the contract rate specified in the underlying ETA with the Transmission Owner as the payment of

the contract rate to the Transmission Owner is not a payment “for the Grandfathered TCC.” Rather it is the rate for Transmission Service to be paid by holders of Grandfathered TCCs.

The NYISO proposes to delete the second paragraphs of 17.4.1, and Section 17.4.2 describing the eligibility of the MWA or TFA Customer, or the Third Party TWA Customer, that elected to take Grandfathered TCCs, to pay or receive Day-Ahead Congestion Rent and the obligation to pay for marginal losses as this material is now redundant of the new provisions of Section 17.3.2.

The NYISO proposes a minor clarification to Section 17.4.2 explaining that Third Party TWA Customers pay transmission charges directly to the Transmission Owner.

The NYISO proposes a new Section 17.4.3 to describe the Transmission Service Charge (“TSC”) relief that MWA, Third Party TWA and TFA Customers receive whether they choose Grandfathered TCCs or Grandfathered Rights. This relief is also described, for Third Party TWA Customers, in Section 17.2.2.3.

5. Sections 17.5

The NYISO proposes to renumber existing Section 17.5 as Section 17.6 and to insert a new Section 17.5, Responsibility for Losses. In new Sections 17.5.1.1, and 17.5.2.1, the NYISO is proposing to relocate the obligation, from the second paragraphs of existing Sections 17.3.2 and 17.3.3, that a holder of a Grandfathered Right or a Grandfathered TCC is obligated to pay for losses in accordance with the provisions of the OATT, between the POI and POW of its ETA as listed in Attachment L and as calculated by the NYISO Tariff.

The NYISO proposes to relocate to new Sections 17.5.1.2 and 17.5.2.2 the provision from the second paragraphs of Section 17.3.2 and 17.3.3 that explains that the Transmission Owner may charge for losses unless prohibited from doing so by the ETA itself if, and to the extent that, the NYISO’s OATT does not provide for losses on the Transmission Owner’s system.

6. Section 17.6

The NYISO proposes to renumber existing Section 17.5 as Section 17.6 and to make only ministerial changes to these provisions.

The NYISO proposes to eliminate all of existing Section 17.6, which describes the LBMP Transition Period and Payment. This provision describes actions the NYISO was to take in certain situations at the time of NYISO start-up depending on decisions that could have been made or outcomes that could have arisen. The period during which these situations could arise -

the LBMP Transition Period - has expired and this section is proposed for deletion as no longer necessary.¹⁰

7. Section 17.8

The rules related to the transferability of Grandfathered Rights and Grandfathered TCCs are spread across various provisions of Attachment K and Attachment M of the OATT. Not only are the rules widely dispersed, they are described in slightly different terms. These provisions have, in the past, created questions regarding the rights of customers to sell or transfer Grandfathered Rights or Grandfathered TCCs.

To bring clarity to this important situation, the NYISO proposes to add a new Section 17.8 to the OATT to describe in a single location the rights to, and processes involved in, selling or transferring Grandfathered Rights and Grandfathered TCCs.

Section 17.8.1 reiterates the rule found in existing Section 17.3.1 that an ETA Customer may not resell or transfer its Grandfathered Rights unless its existing agreement authorizes such transfer or sale or if such transfer is authorized, for a MWA customer, as an assignment pursuant to Section 17.2.1.1 (ii).

Section 17.8.2.1 is proposed to describe that Grandfathered TCCs may be transferred in the same manner as other TCCs may be transferred with one exception. If a Transmission Owner sells its Grandfathered TCCs, it must do so through a Direct Sale, a Centralized TCC Auction or Reconfiguration Auction. This rule is found in Attachment M, Section 19.6.1 and is repeated here for clarity.

The NYISO proposes to reiterate, in a new Section 17.8.2.2, the continuing obligation of the seller of the Grandfathered TCC, notwithstanding the TCC's sale or transfer, to pay the Transmission Owner the transmission charges set forth in the ETA, and the seller's continued entitlement to receive the related TSC relief, unless the transfer is an assignment of the underlying ETA.

The NYISO proposes a new Section 17.8.3 to clarify that the appointment by an ETA Customer of a Holder for its Grandfathered Right or Grandfathered TCC is not considered a transfer of that Grandfathered TCC or Grandfathered Right for the purposes of the provisions of the NYISO OATT. Small municipalities may have contracts with power suppliers or energy purchasing agents whereby those entities hold their underlying ETAs on their behalf. These relationships are shown in Attachment L, Table 1A in the "Requestor" column with a parenthetical identifying the holder. For purposes of the provisions of the OATT, these parties are deemed to be holders of Grandfathered TCCs and Grandfathered Rights.

¹⁰ The NYISO anticipates removing Section 17.7 of Attachment K of the OATT, which describes the calculation of transmission service charges during the LBMP Transition Period, as part of an upcoming NYISO filing.

8. Section 17.9

Section 17.9 is new to the OATT. The NYISO proposes to add it to describe, among other things, a new “Accepted Revisions” process for updating information related to Grandfathered TCCs and Grandfathered Rights between filings of revisions to Table 1A with the Commission. As mentioned, the NYISO settles with holders of Grandfathered TCCs and Grandfathered Rights on the basis of information in Table 1A as updated, in the settlement system, with information provided by ETA signatories on corrections and changes to the underlying agreements. The NYISO’s “Accepted Revisions” proposal adds transparency and accountability to the Table 1A ‘updating’ process.

Inaccuracies in Table 1A information could have significant consequences on NYISO settlements, including: (i) over-sale or under-sale of TCCs; (ii) allocation of congestion rent shortfalls in a manner that is inconsistent with each Transmission Owner’s contribution to auction revenues; (iii) incorrect transmission service charges; (iv) incorrect congestion charges; (v) incorrect congestion payments; and (vi) incorrect award of Fixed Price TCCs. Many of these could be trued up in a simple billing adjustment by the NYISO, but other changes are more difficult or impossible to correct. In order to process these updates as they occur, the NYISO proposes a set of detailed “Accepted Revisions” procedures to ensure that any such proposed changes are made in a transparent and appropriate manner.

In Section 17.9.1.1 the NYISO proposes to post on its website a copy of the current Table 1A and a list of Accepted Revisions with the date each change was effective.

In Section 17.9.1.2, the NYISO explains that it will base settlements pertaining to Grandfathered Rights and Grandfathered TCCs, and administer its TCC Auctions and other processes pertaining to Grandfathered Rights and Grandfathered TCCs, on the basis of information listed in Attachment L, Table 1 A and Accepted Revisions then in effect with the following exceptions:

1. The NYISO will base the power flow used in its Reconfiguration and Centralized TCC Auctions on information listed in Table 1A and Accepted Revisions, provided they were in effect 30 days or more prior to the first round of such auctions. The NYISO finalizes the power flow used in its TCC Auctions during the 30 days prior to the first round and cannot update it for late-received information. Late-received information will be incorporated into the next occurring Auction, usually a Reconfiguration Auction. This limitation is described in Section 17.9.1.2(i).
2. The NYISO will perform Net Congestion Rent calculations, pursuant to Attachment N, on the basis of information in Table 1 A and Accepted Revisions in effect 30 days prior to the NYISO’s initial calculation of the allocation factors used to distribute Net Congestion Rent for the month to the Transmission Owners.

The ISO allocates Net Congestion Rent each month to the Transmission Owners pursuant to Formula N-15 (in OATT Section 20, Attachment N) which contains

allocation factors for each Transmission Owner based, as a general matter, on the allocation of revenue received from the TCC auction conducted for the month. These allocation factors will not be updated for Accepted Revisions in effect for fewer than 30 days prior to their initial calculation.

3. As a general matter, Fixed Price TCCs will be awarded on the basis of information in Table 1 A and Accepted Revisions in effect 30 days prior to the deadline the NYISO sets, pursuant to Attachment M, for receipt of documentation requesting a Fixed Price TCC. Continuation of a Grandfathered Right or Grandfathered TCC, as a Fixed Price TCC, pursuant to the provisions of Section 19.2 (Attachment M) of the OATT, if appropriate, should be reflected in the next Auction conducted so as to avoid selling the Capacity otherwise made available by the expiration of the Grandfathered Right or Grandfathered TCC. This can be accurately reflected only if the NYISO has information that a Fixed Price TCC has been awarded in time for its auction set-up activity. This rule assures the NYISO that it will have such information in a timely fashion. The NYISO proposes special rules, however, for awarding Fixed Price TCCs based on Accepted Revisions that go into effect fewer than 30 days before the deadline for documentation submission, or even after the deadline has passed, in Section 17.9.1.3.

The NYISO proposes, in Section 17.9.1.3, a set of rules for awarding and, if awarded, settling, Fixed Price TCCs on basis of an Accepted Revision that went into effect fewer than 30 days before the deadline for documentation submission, or went into effect after the deadline had passed. These provisions, however, do not authorize the NYISO to honor a request for Fixed Price TCCs that arrived after the deadline set pursuant to Attachment M has passed, if the holder's eligibility for a Fixed Price TCC did not change, pursuant to an Accepted Revision or otherwise, within 30 days of the Attachment M deadline.

Section 17.9.1.3 (i) indicates that the NYISO will expeditiously process the request for Fixed Price TCCs. In Section 17.9.1.3 (ii), the NYISO repeats the rule that it will base its settlements pertaining to Grandfathered Rights and Grandfathered TCCs on the terms of an effective Accepted Revision, including any revision or termination of a Grandfathered Right or a Grandfathered TCC. This provision repeats, for clarity, the provisions of 17.9.1.2 and the caveat provided by Section 17.9.1.4.

Finally, the NYISO proposes to add a provision in Section 17.9.1.3(iii) indicating that the NYISO will hold capacity otherwise made available by the termination of a Grandfathered Right or Grandfathered TCC until a determination that the party seeking the related Fixed Price TCC is not eligible, has declined the award or elects the first day of the following Capability Period as the Fixed Price TCC effective date. Capacity made available by operation of one of these events will be released into the the Reconfiguration Auction or Centralized TCC Auction occurring 30 days or more after the capacity becomes available. Of course, if the Fixed Price TCC is accepted, the Transmission Capacity supporting the Fixed Price TCC will be held out of the Auction.

In Section 17.9.1.4, the NYISO proposes to clarify its practice of settling Grandfathered Rights or Grandfathered TCCs based on changes to the underlying ETA or changes reflected in Accepted Revisions or in Attachment L, Table 1A, as of the effective date of the change. If the change to be made to the Grandfathered Right or Grandfathered TCC was in effect prior to a Settlement and the NYISO billing and payment provisions allow adjustments to those Settlements, the NYISO will make adjustments to those Settlements.¹¹

In Section 17.9.1.5, the NYISO proposes a requirement that written notification indicating that a future event changing the terms of a Grandfathered Right or Grandfathered TCC, noted in Attachment L or a footnote thereto, has occurred must be provided to the NYISO, pursuant to the provisions of Section 17.9.3, in order to be reflected in the settlement for the Grandfathered Right or Grandfathered TCC.¹² (Future events noted in the footnotes to Attachment L that may change the terms of a Grandfathered Right or Grandfathered TCC include the retirement of a facility, for instance). Without such notice, the NYISO will not reflect the change to the Grandfathered Right or Grandfathered TCC in its settlements.

The NYISO proposes to clarify, in Section 17.9.2 that it is the signatories to the ETAs that are responsible for advising the NYISO of changes that would require revisions to Table 1A of Attachment L, or Grandfathered Rights and Grandfathered TCC settlements, including the occurrence of events noted in Attachment L or a footnote thereto (such as a unit retirement). The NYISO is not a party to such ETAs and has no mechanism for reliably obtaining such information, so it is appropriate that the parties to the ETAs maintain responsibility for providing the NYISO with updated information.

The NYISO proposes a set of detailed procedures in Section 17.9.3 to ensure that proposed changes to the listings in Table 1A, which become “Accepted Revisions,” are made in a transparent and appropriate manner. These procedures vary slightly based on the nature of the change and the provider of transmission service, but the rules and procedures can be summarized as follows: (i) the party requesting the change provides a formal, written notification of the change in a form consistent with NYISO procedures; (ii) if the Commission has not previously approved the change then the party requesting the change must notify the other party to the Existing Transmission Agreement and provide proof of such notice to the NYISO; (iii) if the revision is not on account of a recent Commission-approved change to the ETA, no change may occur if the other party to the Existing Transmission Agreement disputes the change; and (iv) the party requesting the change must submit to the NYISO evidence that supports the change (e.g., evidence may include a copy of a previous Commission order, a copy of a relevant Existing Transmission Agreement, or other suitable evidence). As an additional step, the NYISO will notify all NYISO customers upon receipt of such a change request. In processing any proposed change, the NYISO will act diligently and in good faith in reviewing the change and the

¹¹ See: OATT Section 2.7.4.3 for billing and payment provisions.

¹² Notice is not required to terminate an ETA pursuant to the date specified in the column marked Cont. Exp. / Termination Date.

documentation supporting the change. However, as indicated in proposed Attachment K Section 17.9.3.5, the NYISO will, as in the past, rely strictly upon the representations made to it by the customer requesting the change and information made available to it by such customer, or other customers, and the NYISO does not expect to independently perform due diligence on the matter beyond reviewing the representations and information received from its customers.

Any proposed revision that is approved in accordance with the procedures described above will qualify as an “Accepted Revision” (which is proposed to be added to the OATT as a new defined term) and will be incorporated into NYISO settlements as if reflected in Table 1A. As indicated in proposed Attachment L Sections 17.9.4 and 17.9.1.1, the NYISO will maintain a list of such Accepted Revisions on its website. The NYISO will also amend Table 1A in its tariffs at least twice a year to reflect all Accepted Revisions.¹³

The procedures which the NYISO outlined generally above are set forth in Section 17.9.3. In 17.9.3.1, the NYISO indicates that a proposed revision pursuant to an amendment to an ETA held by a party other than LIPA or NYPA will be in effect as an Accepted Revision on the second day following receipt of written notification of the amendment from an ETA signatory, and receipt of a FERC order approving the change. As noted, settlements and other processes related to Grandfathered Rights and Grandfathered TCCs will be made in accordance with Sections 17.9.1.1 through 17.9.1.5. Holding the effective date of the Accepted Revision for two days following submission allows the NYISO to process the request.

In Section 17.9.3.2, the NYISO proposes to indicate that a proposed revision to an ETA held by a party other than LIPA or NYPA that is not an ETA amendment will be in effect as an Accepted Revision on the second day following receipt of written notification of the change to Table 1A information from the ETA signatory, confirmation that a copy of the notification has been provided to all signatories to the ETA, and receipt of either a FERC order approving the change or copies of relevant agreements or other information supporting the change. The NYISO further proposes to not make the requested change if it is notified that a signatory to the ETA objects to the change unless and until the disagreement has been resolved. As noted settlements and other processes related to Grandfathered Rights and Grandfathered TCCs will be made in accordance with Sections 17.9.1.1 through 17.9.1.5.

Finally, in Section 17.9.3.3, the NYISO proposes to indicate that a proposed revision for an ETA in which LIPA or NYPA is the provider of service will be in effect as an Accepted Revision on the second day following receipt of written notification of the change to Table 1A information from the ETA signatory, confirmation that a copy of the notification has been provided to all signatories to the ETA, and copies of relevant agreements or other information supporting the change. The NYISO further proposes to not make the requested change if it is

¹³ This general rule is described in proposed Attachment K Section 17.9.4.

notified that a signatory to the ETA objects to the change unless and until the disagreement has been resolved. As noted, settlements and other processes related Grandfathered Rights and Grandfathered TCCs will be made in accordance with Sections 17.9.1.1 through 17.9.1.5.

The last two proposed sections in 17.9.3 require the NYISO to notify its customers upon receipt of a written notification of a proposed change to Attachment L Table 1A (Section 17.9.3.4) and to process the proposed change on the basis of received information (Section 17.9.3.5).

C. Other Proposed Revisions to the OATT

The NYISO proposes to add as a new term to the OATT the phrase “Accepted Revision” defined as:

A change to the terms of an Existing Transmission Agreement for purposes of ISO Settlements, which change is related to a Grandfathered Right or Grandfathered TCC and is made pursuant to the procedures prescribed in Section 17 Attachment K of the ISO OATT.

The NYISO proposes ministerial corrections to the definitions of “Existing Transmission Capacity for Native Load” and “Grandfathered Rights.” The NYISO proposes to expand the definitions of “Existing Transmission Agreement,” “Modified Wheeling Agreement,” “Third Party Transmission Wheeling Agreements,” “Transmission Facility Agreements,” and “Transmission Wheeling Agreements” to clarify the terms. No substantive changes are proposed. Finally the NYISO proposes amendments to the terms “Point of Injection” and Point of Withdrawal,” to indicate that references to Point of Receipt and Points of Delivery are synonymous with these terms.

The NYISO proposes to delete Section 3.3.6 “Other Transmission Service Schedules” as the material it covers is redundant of the provisions of Attachment K and potentially confusing.

Finally, the NYISO proposes to amend Section 19 (Attachment M) Table 1 to correct misidentified Points of Injection for several TCCs. Section 19 Table 1 lists the TCCs which are subject to MW reduction pursuant to the provisions of Section 19.8.2. The TCCs listed on the Section 19 Table 1 are the same instruments as are listed on the Section 19 Table 2 and on Attachment L, Table 1A. As a result of an inadvertent error at NYISO start-up, however, the Points of Injection (in the “from” column) in Section 19 Table 1 for several TCCs were misidentified. The POIs for the TCCs listed on lines two (2), three (3), five (5), and six (6) which read “Con Ed - North” should read “Pleasant Valley.” The POI for the contract on line seven (7) reads “Selkirk” and should read “Pleasant Valley.” Pleasant Valley is the Point of Injection listed for these five TCCs on the Section 19 Table 2 (see lines four (4) through nine (9) and lines 13 through 21).

The TCCs listed on lines 14 through 18 also show POIs that are inconsistent with the same contracts listed on Section 19, Table 2 and on Attachment L, Table 1A. Rather than

“Homer City,” the POI for the contracts on lines 14, 15 and 17 should read the “PJM Proxy Generator Bus”; the POI for the contract on line 16 should read “PJM Proxy Generator Bus” rather than “Pierce Rd.” and the contract on line 18 should read “Gardenville” rather than “NYSEG West.” These are the POIs for these contracts as listed in Table 2.

The NYISO also proposes to correct the POIs in Table 2 that currently read “Pleasant Valley 345 kV” to read “Pleasant Valley” for consistency with the listing of that POI as a pricing point on the NYISO website. These amendments to Section 19 Table 1 and Table 2 correct ministerial, inadvertent errors in the identification of these TCCs. These same TCCs are identified correctly on Table 2 and the NYISO has managed the ETCNL reduction process for these contracts with the Points of Injection as they are listed in Section 19, Table 2. Tables 1 and 2 of Section 19 will now be consistent.

IV. Proposed Revisions to the Services Tariff

Conforming amendments are proposed for the following defined terms that also appear in the Services Tariff:

- Existing Transmission Agreement
- Grandfathered Rights
- Modified Wheeling Agreement
- Points of Injection
- Points of Withdrawal
- Third Party Transmission Wheeling Agreement
- Transmission Facility Agreement
- Transmission Wheeling Agreement

V. Effective Date

The NYISO respectfully requests that this filing become effective sixty (60) days after the date of this filing, October 9, 2011.

VI. Requisite Stakeholder Approval

The tariff revisions proposed in this filing were the product of discussions with stakeholders in the NYISO’s Market Issues Working Group. The revisions were approved by a show of hands with abstentions at the NYISO’s Business Issues Committee meeting on November 3, 2010, and unanimously with abstentions at the NYISO’s Management Committee meeting on December 15, 2010. On January 18, 2011 the NYISO’s Board of Directors also approved the filing of these proposed changes.

VII. Communications and Correspondence

All communications and service in this proceeding should be directed to:

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VIII. 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 the New York Public Service Commission, and to the New Jersey Board of Public Utilities. In addition, the complete public version of this filing will be posted on the NYISO's website at www.nyiso.com.

IX. 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 to be effective on October 9, 2011

Respectfully submitted,

/s/ Mollie Lampi

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