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May 18, 2011

**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. ER11-xxxx-xxx,  
Proposed Amendments to the ISO Agreement and Code of Conduct***

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act and Part 35 of the Commission's regulations, the New York Independent System Operator, Inc. ("NYISO") respectfully submits proposed revisions to the ISO Agreement and the NYISO Open Access Transmission Tariff ("OATT").<sup>1</sup> The revisions proposed here are intended to conform the conflict of interest provisions in the NYISO documents to the standards set forth in the New York State Reliability Council Agreement ("NYSRC Agreement"). The NYISO's stakeholders have reviewed these proposals, which were approved by the NYISO's Management Committee and the NYISO's independent Board of Directors in February 2011 and April 2011, respectively.

Part II of this filing describes the background and purpose of the proposed tariff revisions. Part III discusses the specific changes to the OATT and the ISO Agreement that are needed to implement the NYISO's proposals.

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<sup>1</sup> Capitalized terms not specifically defined herein have the meaning set forth in the ISO Agreement, Services Tariff and the OATT.

**I. Documents Submitted**

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

The NYISO will submit clean and blacklined versions of the proposed revisions to the ISO Agreement with a supplemental filing, for the reasons discussed in Section III.

**II. Background to this Filing**

The ISO Agreement and the NYSRC Agreement date from the start-up of the NYISO in 1999. In structuring the relationship between the NYISO and the New York State Reliability Council (“NYSRC”), the drafters of those agreements sought to ensure that the two organizations were independent of each other. Thus, as originally written, the NYSRC Agreement prohibited NYISO Board members or any Market Participant who participated in a NYISO stakeholder committee from serving on the NYSRC Executive Committee.

The NYSRC later found aspects of these restrictions to be unworkable. On November 23, 2009, the NYSRC filed proposed amendments to the NYSRC Agreement with the Commission, which the Commission accepted for filing by order dated December 29, 2009.<sup>2</sup> The NYSRC’s amendments accomplished two things: first, the NYSRC deleted the language that precluded participants in the NYISO stakeholder process from serving on the NYSRC Executive Committee. Second, the NYSRC expanded the category of persons associated with the NYISO who could not be members of the Executive Committee to include officers, employees, and paid consultants in addition to Board members. The result of these changes is to permit Market Participants to participate as members of the NYSRC Executive Committee while prohibiting NYISO directors, employees, and consultants from so serving.

The ISO Agreement and conflict of interest rules do not match the amended NYSRC Agreement. At present, Section 6.06 of the ISO Agreement requires the NYISO to prohibit a stakeholder committee member from also serving on the NYSRC Executive Committee. This prohibition is contained in Section 12.7 of the Code of Conduct, Attachment F to the NYISO OATT. The same Code restricts only NYISO Board members from serving on the NYSRC Executive Committee, and contains no provisions relating to NYISO contractors’ participation in

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<sup>2</sup> FERC Letter Order dated December 29, 2009 in Docket No. ER10-304-000.

NYSRC governance. The amendments proposed in this filing will align the NYISO's rules to the NYSRC's.<sup>3</sup>

### **III. Description of Tariff Changes**

To conform its conflict of interest rules to the revised NYSRC Agreement, the NYISO will modify one section of the ISO Agreement and two sections of Attachment F, the NYISO Code of Conduct.

ISO Agreement: Section 6.06 requires the NYISO to establish and apply a Code of Conduct and sets forth the terms that are to be included. The NYISO proposes to delete language that at present requires the Code to prohibit a Market Participant from serving as a member of the NYSRC Executive Committee. Due to eTariff software constraints, the NYISO will file the revised Section 6.06 via a supplemental filing.

Foundation Agreements: The NYISO's supplemental filing will include a "cover page" entitled "Foundation Agreements." This page will serve to identify the database relationship of the ISO Agreement within the new eTariff structure.

OATT Attachment F: The NYISO will delete language now in Section 12.7.4 of the Code of Conduct that precludes Market Participants from membership on the NYSRC Executive Committee. At the same time, the NYISO will also amend this section to preclude any "ISO Employee" from membership on the NYSRC Executive Committee. The term "ISO Employee" includes directors, officers, and employees. To extend this prohibition to consultants, the NYISO will amend Section 12.12, which authorizes the Board to set conflict of interest guidelines for consultants and contractors.

Taken together, these proposed modifications will conform the ISO Agreement and OATT to the previously amended NYSRC Agreement, to provide that Market Participants may serve on the NYSRC Executive Committee and to preclude NYISO officers, directors, employees, and consultants from membership.

### **IV. Effective Date**

The NYISO requests an effective date for the proposed amendments of July 18, 2011, which is the first business day more than sixty days after the date of this filing.

### **V. Stakeholder Approval**

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<sup>3</sup> The Commission should note that there are no appointments to the NYSRC Executive Committee that violate the amended NYSRC Agreement.

The amendments proposed in this filing were discussed and reviewed with stakeholders in the Market Issues Working Group forum. These amendments were later approved by the NYISO's Business Issues Committee on February 9, 2011 and by the NYISO's Management Committee on February 24, 2011. The NYISO Board of Directors accepted these proposals on April 19, 2011.

## **VI. Communications and Correspondence**

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

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Ray Stalter  
Director of Regulatory Affairs  
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\*Persons designated for receipt of service.

## **VII. Service**

The NYISO will electronically send a 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 filing will be posted on the NYISO's website at [www.nyiso.com](http://www.nyiso.com).

## **VIII. Conclusion**

Wherefore, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept for filing the proposed tariff revisions attached hereto with an effective date of July 18, 2011.

Respectfully submitted,

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