

August 16, 2010

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

**Re: New York Independent System Operator, Inc., Compliance Implementation Plan,
Docket No. ER07-521-____**

Dear Ms. Bose:

In compliance with Paragraph 18 and Ordering Paragraph B of the Commission's July 15, 2010 order ("July 2010 Order")¹ in the above-captioned proceeding, the New York Independent System Operator, Inc. ("NYISO") respectfully submits this detailed implementation plan including a timetable for offering Load Serving Entities ("LSEs") fixed price Transmission Congestion Contracts ("TCCs") between any point of injection and the LSE's load zone ("non-historic fixed price TCCs").

As is discussed in greater detail below, the NYISO intends to file proposed tariff revisions early in 2012 describing the requirements for purchasing and holding non-historic fixed price TCCs in conjunction with tariff revisions necessary to implement a new "Multi-Duration Centralized TCC Auction." As the Commission recognized, the NYISO intends to offer non-historic fixed price TCCs as part of its Autumn 2012 Multi-Duration Centralized TCC Auction process. Once these non-historic fixed price TCCs are offered, the NYISO would be in full compliance with the Commission's long term firm transmission rights policies as set forth in Order Nos. 681 and 681-A.²

The NYISO's implementation plan, described in detail herein, concentrates on the software revisions necessary to move the current single duration TCC auction format to one that allows auction participants to bid to purchase and offer to sell a variety of TCC durations during a single auction round.³ Tariff revisions to describe both the procedural changes in the Multi-

¹ *New York Independent System Operator, Inc.*, 132 FERC ¶ 61,030 (2010).

² *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Order No. 681, FERC Stats. & Regs. ¶ 31,226 (July 20, 2006), *reh'g denied*, Order No. 681-A, 117 FERC ¶ 61,201 (November 16, 2006).

³ As part of this project, the NYISO, with its stakeholders' support, is also expanding the opportunities in the monthly Reconfiguration Auction to allow Market Participants to submit

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Duration Centralized TCC Auction and the process for purchasing, and the responsibilities of holding, non-historic fixed price TCCs will also be pursued during this implementation period.

I. Communications

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II. Detailed Implementation Schedule

August, 2010	Concept Design Approval Working with stakeholders since 2009 the NYISO has finalized the concept design for a Multi-Duration Centralized TCC Auction. At their August Business Issues Committee (“BIC”) meeting, stakeholders approved the broad design. The BIC approval noted that the availability of non-historic fixed price TCCs would be coordinated with the first Multi-Duration Centralized TCC Auction. ⁴
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bids to buy and offers to sell TCCs for any month(s) in the capability period. Software changes to implement this functionality are subsumed in the software revisions discussed herein.

⁴ See BIC presentation at
http://www.nyiso.com/public/webdocs/committees/bic/meeting_materials/2010-08-04/Agenda_11_TCC_EFP1_MD_Mkt_Design_Revised.pdf

Fourth Quarter, 2010	<p>Detailed Market Design</p> <p>The NYISO will continue to work with stakeholders on the details of the Multi-Duration Centralized TCC Auction functionality. In addition, the NYISO will start working with stakeholders to develop the appropriate credit policies necessary to support all changes being made to the TCC auction process.</p>
Fourth Quarter, 2010	<p>Software Specifications</p> <p>The NYISO's auction software is constructed both in house and by Nexant, a software vendor. Software for the TCC Automated Market System ("TCC AMS") is developed in-house and consists, primarily, of the web-based interface used by TCC auction participants to submit their bids and offers and receive information from the NYISO on their TCC auction activity. In addition to the modifications to the TCC AMS, software changes to accommodate the new TCC auction format are necessary in the Credit Management System and in related data and storage systems ("in-house, auction-related software"). The TCC auction solution engine is provided by Nexant.</p> <p>Beginning in the fourth quarter of 2010, the NYISO will complete a functional requirement specification document ("FRS") describing the changes needed in the TCC AMS to, among other things, move from bid and offer screens that allow TCCs to be purchased and sold only in single-duration rounds to functionality that will allow TCCs to be purchased and sold in multiple duration rounds. The FRS will specify software applications and responses plus provide a detailed list of business and user needs that the Multi-Duration Centralized TCC Auction design will be required to support.</p> <p>In addition, discussions will continue with Nexant concerning modifications required to the TCC auction solution engine including modifications of its software to align with the changes being made in the TCC AMS. Any software development required in the Nexant software will be conducted in parallel with the NYISO's TCC AMS development.</p>
December 1, 2010	<p>Status Report to FERC</p> <p>This first status report will describe the tasks that have been completed in the implementation of the multi-duration TCC auction.</p>

First Quarter, 2011	Software Requirements, or “Use Case” Development, Begins The NYISO will develop “Use Cases” which describe a goal-oriented set of interactions between the users and the system including the detailed functionality required for the in-house, auction-related software based on the output from detailed market design discussions with stakeholders. Working from these Use Cases, software developers will write the software design specifications (“SDS”) necessary to re-design the in-house, auction-related software.
Second Quarter, 2011	Software Design Specifications The Use Case development that started in the first quarter is expected to complete in the second quarter. Software developers will then begin work on the SDS. While the tariff revision process, that will begin in this quarter (see below) and conclude in the first quarter of 2012, may lead to changes in functional requirements and design specifications throughout that period of time, the principal elements of the SDSs are planned to be complete by the end of this quarter. Additionally, the NYISO is targeting this quarter to complete development of the new credit policy started in fourth quarter 2010.
Second Quarter, 2011	Stakeholder Tariff Revision Process Begins Extensive tariff revisions will be necessary to support the Multi-Duration Centralized TCC Auction and non-historic fixed price TCCs purchase opportunity. The stakeholder tariff development and approval process will begin in parallel with the development of the SDSes, with NYISO-prepared draft tariff sheets and culminate in final votes by the Management Committee and Board of Directors. The process is expected to take between eight and nine months at which time the revisions will be ready for filing with the Commission. Tariff revisions to implement related credit policy changes will be pursued in tandem with the Multi-Duration Centralized TCC Auction and non-historic fixed price TCCs tariff revisions.

December 1, 2011	Status Report to FERC The second status report will update the uncompleted tasks described in the first status report, describe the tasks begun since the first status report was filed, and report on the remaining tasks necessary to meet the NYISO's implementation schedule.
First Quarter, 2012	Tariff Filing The NYISO will file tariff revisions implementing the Multi-Duration Centralized TCC Auction and the non-historic fixed price TCCs program. These revisions will be filed at least 120 days before planned implementation to allow time for LSEs interested in purchasing non-historic fixed price TCCs to understand the process and obligations of their purchase opportunity.
First Quarter, 2012	Testing Before declaring that the software development is complete, the NYISO conducts extensive software testing. Quality assurance and user acceptance testing of the revised in-house, auction-related and Nexant software will start in this quarter.
Second Quarter, 2012	Manual Revisions In this quarter, the NYISO will develop revisions to the TCC Manual to describe the multi-duration TCC auction process and the process for purchasing non-historic fixed price TCCs. These will also be provided to Market Participants for review and approval. The NYISO will also be updating its TCC Auction User Guide.
Second Quarter, 2012	Market Trials During the second quarter, the NYISO will also facilitate market trials which offer stakeholders an opportunity to become familiar with the new TCC auction functionality. Stakeholders that utilize the TCC AMS will be asked to participate in these market trials by submitting multi-duration bids and offers. The NYISO will conduct the practice auction as if it were a real auction. No financial consequences flow from this practice auction round and no TCCs are awarded.

Second Quarter, 2012	Testing Testing of all in-house, auction-related software revisions completes in this quarter once market trials, quality assurance and user acceptance testing are finished.
Third Quarter, 2012	Multi-duration auction with opportunity to purchase non-historic fixed prices TCCs is conducted The Autumn Multi-Duration Centralized TCC Auction process will commence in this quarter. LSEs interested in purchasing non-historic fixed price TCCs will receive information on eligibility requirements and on the process they will need to follow to purchase their fixed price TCCs. The NYISO plans to post an auction timeline developed with stakeholder input several weeks in advance of the first auction and opportunity to purchase non-historic fixed price TCCs.

III. Conclusion

For the foregoing reasons, the New York Independent System Operator, Inc., respectfully requests that the Commission accept its compliance implementation plan as fully complying with Paragraph 18 and Ordering Paragraph B of the July 2010 Order.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list 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 (2010).

Dated at Washington, DC this 16th day of August, 2010.

By: /s/ Catherine A. Karimi
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