

Via Electronic Filing

September 28, 2010

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

Re: New York Independent System Operator, Inc., Prospective Requests for Temporary Waiver to Permit Delayed Implementation of Proposed Tariff Rules, and Request for Expedited Commission Action; Docket Nos. ER10-1866-000, ER10-1977-000 and ER10-2062-000

Dear Secretary Bose:

On July 21, 2010 the New York Independent System Operator, Inc. (“NYISO”) filed proposed revisions to its Open Access Transmission Tariff (“OATT”) and Market Administration and Control Area Services Tariff (“Services Tariff”) in Docket No. ER10-1866-000. The NYISO’s filing requested that the Commission accept tariff revisions to permit it to (i) clarify its tariff rules that apply to Bid Production Cost¹ guarantees and margin assurance payments, and (ii) implement new rules to improve the calculation of reference levels and application of mitigation to Generators that are not able to complete their minimum run time within the Dispatch Day in which the Generator is committed (the “Late Day Start” rules).

On July 26, 2010 the NYISO filed proposed revisions to its OATT and Services Tariff in Docket No. ER10-1977-000. The July 26 filing proposes to allow Generators to increase their real-time Incremental Energy Bids for power that has already been accepted/scheduled in the Day-Ahead Market so that a Generator can reflect additional costs that arose after it submitted a Day-Ahead Incremental Energy Bid in its real-time offer. This proposed rule change is referred to as “Increasing Bids in Real Time” or “IBRT.”

¹ Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the NYISO’s OATT and Services Tariff.

Finally, on July 30, 2010 the NYISO filed proposed revisions to the Market Power Mitigation Measures (“MMM”) that are set forth in Attachment H to its Services Tariff in Docket No. ER10-2062-000. The July 30 filing proposed improvements to the rules for Market Parties to submit fuel cost information for their Generators, and for the NYISO to use the submitted fuel cost information to develop Generator reference levels. This proposed rule change is referred to as the “Reference Level Software” improvements or “RLS.”

All three of the filings that are identified above are presently pending before the Commission. The NYISO has requested a September 30, 2010 effective date for each of the three filings. However, the NYISO has determined that it will not be ready to implement the Late Day Start rules proposed in its July 21 filing in Docket No. ER10-1866-000 on September 30, 2010. Instead, the NYISO expects that it will be able to implement the proposed Late Day Start market rules in the first week of November, 2010. Consistent with the errata filing submitted this day in Docket No. ER10-1866-000, the NYISO is prepared to implement the strategic tariff review changes to Bid Production Cost guarantees and margin assurance payments as of September 30, 2010.

The NYISO has also encountered delays in its ability to implement the IBRT functionality that it proposed in its July 26 filing in Docket No. ER10-1977-000 and the RLS functionality that it proposed in its July 30 filing in Docket No. ER10-2062-000. These two sets of market rules must be implemented in tandem. The NYISO expects to be able to implement both sets of rules for the October 21, 2010 Day-Ahead and Real-Time Market day, rather than on September 30, 2010, as originally requested.

The reason for the requested delay is the same in each case. The tariff rules and implementing software for Late Day Start, IBRT and RLS are all intertwined. In performing its quality assurance testing of the new software that is designed to implement these three measures, the NYISO identified instances in which the software does not adequately address interaction between the three new sets of market rules. The most significant concerns that were identified relate to the interaction between Late Day Start and the other two measures, necessitating a slight additional delay in the NYISO’s implementation of Late Day Start until the identified concerns are resolved.

The NYISO expects to complete the needed changes to implement Late Day Start in the first week of November, 2010. However, the NYISO is not prepared to specify an effective date in this filing. Rather, the NYISO proposes to inform the Commission and its stakeholders at least two weeks before it implements the Late Day Start rules in its software.

To reiterate, the NYISO will not be ready to implement the RLS or IBRT rules in a fully tariff-compliant manner until the October 21, 2010 Day-Ahead and Real-Time Market day. The NYISO will not be ready to implement the Late Day Start measures until the first week of November, 2010.

To address the concerns described above, the NYISO respectfully requests that the Commission:

1. accept the tariff revisions proposed in Docket Nos. ER10-1866-000, ER10-1977-000 and ER10-2062-000 for filing effective September 30, 2010 as the NYISO requested in its filings in each of those dockets;
2. temporarily waive the NYISO's obligation to implement the IBRT rules proposed in Docket No. ER10-1977-000 and the RLS rules proposed in Docket No. ER10-2062-000 until the October 21, 2010 Day-Ahead and Real-Time Market day;
3. temporarily waive the NYISO's obligation to implement the Late Day Start market rules until the earlier of (a) November 5, 2010, or (b) date that the NYISO informs the Commission that it is prepared to implement Late Day Start;
4. issue its Order in Docket No. ER10-1866 by October 8, 2010 so that the NYISO will know, as soon as possible, if the tariff rules it submitted are accepted and should be implemented. Delaying the issuance of an order on these provisions beyond October 8, 2010 may require retroactive corrections to customer settlements and complicate implementation of these measures; and
5. issue its Orders addressing the tariff revisions proposed in Docket Nos. ER10-1977 and ER10-2062 by October 19, 2010 so that the NYISO will have notice regarding whether or not it is permitted to implement the tariff revisions proposed in those Dockets for the October 21, 2010 Day-Ahead Market Day (the relevant Day-Ahead Market runs at 5:00 a.m. on October 20, 2010).

The NYISO apologizes for the late date of this filing. The concerns that require delay were recently discovered as part of the NYISO's quality assurance testing and are being corrected as quickly as possible.

Please contact the undersigned with any questions regarding the requests contained in this filing.

Respectfully submitted,

/s/ Alex M. Schnell

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New York Independent System Operator, Inc.
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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 lists compiled by the Secretary in the above-captioned proceedings 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 28th day of September, 2010.

/s/ Alex M. Schnell

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