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CONFIDENTIAL INFORMATION.**

August 16, 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. ER08-850-000
Second Informational Report on Operation of Rate Schedule 7 and Request
for Privileged Treatment**

Dear Secretary Bose:

Pursuant to ordering paragraph “B” in the Commission’s June 17, 2008 “Order Conditionally Accepting Tariff Revisions” (“June 2008 Order”), and the New York Independent System Operator, Inc.’s (“NYISO’s”) commitment in its August 16, 2010 *Informational Report on Operation of Rate Schedule 7* (“August 2010 Informational Report”), the NYISO submits this *Second Informational Report* apprising the Commission of its review of the costs it incurs to implement a wind forecasting mechanism and the revenues it collects under Rate Schedule 7 in its Market Administration and Control Area Services Tariff (“Services Tariff”).

The NYISO is requesting privileged treatment, pursuant to 18 C.F.R. § 388.112 for the information provided in this *Second Informational Report* on the disposition of its Rate Schedule 7 revenues. This information either specifies the actual payments made to the NYISO’s wind forecasting contractor, AWS Truepower, or describes the NYISO’s contract with it in a manner that would reveal such payments. Disclosure of this information could harm the ability of the NYISO to seek an alternative contractor in the future, and AWS Truepower’s ability to negotiate its services with other clients. As such, the information for which the NYISO is requesting privileged treatment is commercially sensitive to the NYISO and to AWS Truepower.¹ The NYISO, therefore, is including information on the disposition of its Rate Schedule 7 revenues only in the non-public version of this filing.

¹ AWS Truepower has requested that the NYISO maintain the confidentiality of payments made to it for its wind forecasting services.

The Commission's June 2008 Order authorized the NYISO to implement a centralized wind forecasting mechanism and to fund that effort with revenues collected from wind facilities through a new Services Tariff Rate Schedule 7.²

In its August 2010 Informational Report, the NYISO committed to review in one year the costs it incurs to implement the wind forecasting mechanism and the revenues it collects under Rate Schedule 7.³ The NYISO stated that if, at that future date, it was expensing 80% or less of the Rate Schedule 7 revenues it recovers to implement its wind forecasting mechanism, the NYISO would consider with its stakeholders the appropriateness of a decrease in Rate Schedule 7 recoveries. The NYISO further committed to report to the Commission on the results of its review including, as necessary, a timeline for the stakeholders' reconsideration of Rate Schedule 7 charges.⁴

Pursuant to the NYISO's commitment in its August 2010 Informational Report, the NYISO has reviewed the ratio of the revenue it recovers from assessing Rate Schedule 7 charges with the costs it incurs in purchasing the wind forecasting services of AWS Truepower.⁵ Since the inception of Rate Schedule 7, the NYISO has recovered \$608,229 in revenues and expensed, on its AWS contract [REDACTED]. As such, the NYISO has expensed approximately [REDACTED] of the Rate Schedule 7 revenue it has recovered to date on its AWS contract. For the month of August 2011, the NYISO received \$16,975 in Rate Schedule 7 revenues and expensed, on its AWS contract, [REDACTED]. Thus the monthly ratio of fees collected to costs incurred is also well above 80%.

Because it has expensed more than 80% of the Rate Schedule 7 revenue it recovers, the NYISO did not review the continuation of the current Rate Schedule 7 charges with its stakeholders. Moreover, the NYISO does not expect, in the near-term, to spend less than 80% of Rate Schedule 7 revenue on the NYISO's wind forecasting contract.⁶ As a result, the NYISO believes the fee structure under Rate Schedule 7 continues to be just and reasonable and, at this time, sees no reason to change the Rate Schedule 7 revenue recovery mechanism.

² The NYISO uses wind facility-specific Energy forecasts provided by its contractor, AWS Truepower, in its Day-Ahead and Real-Time commitment process to more accurately commit wind resources in the New York Control Area and in neighboring regions, to the extent that they are offered into the NYISO-administered markets. The use of these forecasts reduces operating costs and increases the reliability of service to New York loads. Facility-specific Day-Ahead and real-time Energy forecasts are also provided to the wind facilities themselves.

³ See: Letter to Honorable Kimberly D. Bose, Secretary, from Mollie Lampi, *New York Independent System, Operator, Inc.*, Docket No. ER08-850-001, August 16, 2010, ("August 2010 Informational Report").

⁴ The Commission accepted the NYISO's filing. See: *New York Independent System, Operator, Inc.* Docket No. ER08-850-001, Letter Order issued 10/18/10.

⁵ The NYISO currently has, on line, 14 wind facilities subject to the Rate Schedule 7 charge with a nameplate capacity of 1330 MW.

⁶ The addition of new wind generating facilities in New York increases RS 7 revenue but also increases the costs imposed under the AWS contract which is currently designed [REDACTED].

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The NYISO respectfully requests that the Commission accept this report and its request for privileged treatment as described herein.

Respectfully submitted,

/s/ Mollie Lampi

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