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February 20, 2002

BY HAND

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., Room 1A
Washington, D.C. 20426

New York Independent System Operator, Inc.'s
Compliance Filing in Docket Nos. ER01-3009-001/002, ER01-3153-001/002,
and EL00-90 001/002

Dear Ms. Salas:

Pursuant to the Commission's order, dated January 31, 2002, in the above-captioned proceedings ("January 31 Order"),¹ the New York Independent System Operator, Inc. ("NYISO") respectfully submits this compliance filing and revisions to its Market Administration and Control Area Services Tariff ("Services Tariff") to modify its credit policies applicable to bids of non-physical (*i.e.* "virtual") generation and load into the Day-Ahead Market² that are settled in the Real-Time Market ("Virtual Transactions").

I. Documents Submitted

1. This filing letter;

¹ *New York Independent System Operator, Inc.*, 98 FERC ¶ 61,077 (January 31, 2002).

² Capitalized terms not otherwise defined herein have the meaning ascribed to them in Article 2 of the Services Tariff.

2. Clean revised tariff sheets of the Services Tariff incorporating modified credit policies applicable to Virtual Transactions (“Attachment I”);
3. Redlined revised tariff sheets of the Services Tariff showing the changes that the NYISO proposes to make (“Attachment II”); and
4. A form of *Federal Register Notice* (“Attachment III”).

II. Copies of Correspondence

All notices and communications in this proceeding should be served on:

Robert E. Fernandez
General Counsel and Secretary
Mollie Lampi
Associate General Counsel
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III. Effective Date

The NYISO proposes to make the revisions in this compliance filing effective on January 31, 2001, the effective date established by the January 31 Order.

³ The NYISO respectfully requests a waiver of the Commission’s regulations (18 C.F.R. § 385.203) to allow the inclusion of more than two persons for service and communications.

IV. Service List

The NYISO has mailed copies of this filing to all parties on the official service lists maintained by the Commission in the above-captioned dockets.

V. Discussion of Tariff Revisions Filed

A. Background

On September 4, 2001, the NYISO submitted proposed revisions to its Open Access Transmission Tariff (“OATT”) and Services Tariff (“September 4 Filing”)⁴ to implement Virtual Transactions and to make changes to its credit policies to accommodate Virtual Transactions. On October 25, 2001, the Commission issued an order (“October 25 Order”)⁵ accepting in part and rejecting in part the September 4 Filing and directing the NYISO to: (i) file tariff sheets to incorporate the credit policies applicable to Virtual Transactions; (ii) file tariff sheets to reduce the collateralization period applicable to Virtual Transactions from fourteen to seven days; and (iii) file periodic progress reports regarding Virtual Bidding within thirty days after each Capability Period, beginning with the Winter 2001-2002 Capability Period.

⁴ *New York Independent System Operator, Inc.’s Filing of Tariff Revisions to Implement Virtual Bidding*, Docket Nos. ER01-3009-000, *et al.* (September 4, 2001).

⁵ *New York Independent System Operator, Inc.*, 97 FERC ¶ 61,091 (October 25, 2001).

On November 27, 2001, the NYISO submitted proposed revisions to its OATT and Services Tariff (“November 27 Filing”)⁶ as directed by the October 25 Order. On January 31, 2002, the Commission issued an order accepting in part and rejecting in part the November 27 Filing and directing the NYISO to remove from its tariff sheets the minimum collateral amount required for Virtual Transactions. On February 13, 2002, the NYISO made a filing requesting clarification of the Commission’s January 31 Order.⁷

B. Revised Credit Policies Regarding Virtual Transactions

The NYISO is submitting revisions to Section 8.4.1 of the Services Tariff to comply with the Commission’s directive to “remove from its tariff sheets the minimum collateral requirement.”⁸ The proposed revisions will require Virtual Transactions Customers to provide collateral in an amount based on the price delta observed in either: (a) the most recent three months, or (b) the most recent June, July and August, whichever is greater. In addition, to effectively remove the minimum collateral requirement, the NYISO has removed the provision in Section 8.4.1 of the Services Tariff that restricted adjustments to the collateral requirements for Virtual Transactions to upward adjustments only, so that the collateral requirements will now be adjusted whenever there is an increase *or decrease* of 10% or more. Thus, the compliance filing will remove the minimum credit requirement of \$1,113.

VII. Federal Register Notice

A form of *Federal Register* Notice is provided as Attachment III hereto.

VIII. Conclusion

⁶ *New York Independent System Operator’s Request for Leave to Make Compliance Filing One Day Out of Time and Compliance Filing* in Docket Nos. ER01-3009-000, *et al.* (November 27, 2001).

⁷ *Request for Expedited Action and Clarification and Alternative Request for Limited Rehearing and Motion for Stay of the New York Independent System Operator, Inc.* in Dockets ER01-3009-001, *et al.* (February 13, 2002).

⁸ *New York Independent System Operator, Inc.*, 98 FERC ¶ 61,077 at 61,232 (January 31, 2001).

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WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc., respectfully requests that the Commission accept this Compliance Filing including proposed tariff revisions to remove from its tariff sheets the minimum collateral requirement applicable to Virtual Transactions.

Respectfully submitted,

Ted J. Murphy
Counsel for
New York Independent System Operator, Inc.

cc: All signatories to the OATT and Services Tariff
All parties in Docket Nos. ER01-3009-001/002, ER01-3153-001/002 and
EL00-90-001/002

ATTACHMENT I

ATTACHMENT II

ATTACHMENT III

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York Independent System Operator, Inc.) Docket Nos. ER01-3009-001/002
ER01-3153-001/002
and EL00-90-001/002

NOTICE OF FILING

Take notice that on February 20, 2002, the New York Independent System Operator, Inc. (“NYISO”) tendered for filing a compliance filing in accordance with the Commission’s January 31, 2002, order in the above-captioned proceedings.

A copy of this filing was served upon all signatories to the OATT and Services Tariff and upon all persons designated on the official service lists compiled by the Secretary in the above-captioned proceedings.

Any person desiring to be heard or to protest this filing should file a motion to intervene or protest this filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 385.214). All such motions or protests should be filed on or before _____.

Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this application are on file with the Commission and are available for public inspection. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm>. (call 202-208-2222 for assistance).

Magalie R. Salas
Secretary

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all signatories to the OATT and Services Tariff and upon all parties in Docket Nos. ER01-3009-001/002, ER01-3153-001/002 and EL00-90-001/002 in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 2010 (2001).

Dated at Washington, D.C. this 20th day of February 2002.

Catherine A. Karimi
Senior Professional Assistant
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