

March 20, 2007

Ms. Philis Posey, Acting Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: *New York Independent System Operator, Inc.*
Docket Nos. ER04-449-003, ER04-449-007 and ER04-449-008;
Status of Work to Address Deliverability of Generating Capacity**

Dear Ms. Salas:

The New York Independent System Operator, Inc. (“NYISO”) hereby files this status report in the above-referenced proceedings. On June 7, 2006, the NYISO submitted a Compliance Filing and Motion for a Further Extension of Time (“June 7 Filing”). The NYISO requested additional time to continue working with its Market Participants to determine how best to reconcile the concept of generation capacity deliverability with the unique characteristics of NYISO-administered markets in the New York Control Area. The NYISO submitted a proposed revised Work Plan and moved for a one-year extension to resolve the many issues associated with capacity deliverability by June 2007. The Commission has not yet acted on the NYISO’s June 7 Filing.¹

While substantial progress has been made between the NYISO and its Market Participants concerning the conceptual framework in which to apply a deliverability requirement, some significant areas of disagreement continue among the parties. The NYISO is committed to developing a proposal that has the broadest possible Market Participant support, that is consistent with New York’s existing locational capacity market design, and that will send the appropriate price signals for new generation to site in New York. All parties are currently in substantive discussions with the goal of resolving a number of difficult and contentious issues.

As described in the NYISO’s June 7 Filing, the issues associated with deliverability and its impact on the interconnection of new resources and the NYISO’s capacity markets are numerous and complex. Since the June 7 Filing, the NYISO’s independent Board of Directors and management have been engaged in intensive and wide-ranging discussions with the NYISO’s Independent Market Advisor and outside economic consultants on the full range of options and how best to address capacity deliverability in New York. In addition, during this

¹ The NYISO notes that the Commission granted ISO New England, Inc. an extension until July 2, 2007 to work with its stakeholders to prepare a report to the Commission on how intra-zonal deliverability standards should be designed and the method and time frame for implementation of such standards. New England Power Pool, Docket Nos. ER04-433-000, ER04-433-001, *Notice of Extension of Time* (June 26, 2006).

time, the NYISO and its Market Participants have met several times and engaged in constructive discussions concerning the parties' concerns and positions on the deliverability issue.

In January 2007, NYISO staff presented a straw proposal to the Interconnection Issues Task Force which outlined a proposal for implementing a deliverability requirement. At that time, a group of Market Participants, made up of New York Transmission Owners and a group of generators, also presented principles for implementing a deliverability requirement in New York. There appears to be a reasonable level of consensus concerning the conceptual framework in which to apply a deliverability requirement. Most stakeholders expressed agreement with: (1) evaluating deliverability during the interconnection study process through two levels of interconnection service (energy only and capacity resource); (2) applying some form of a deliverability test which is, as yet, not fully defined; (3) allocating to a new generator the incremental cost for the upgrades needed for deliverability if that generator fails the deliverability test and elects to be a capacity resource; and (4) assigning capacity deliverability rights to existing generators and to new generators that are found to be deliverable. The following topics are also currently being discussed, though a clear consensus has not yet emerged: (1) allowing for the transfer of capacity deliverability rights and (2) identifying criteria that could lead to the formation of new locational capacity zones in New York.

Consistent with its June 7 Filing, the NYISO intends to submit a substantive compliance filing in June 2007. The NYISO anticipates that this time frame will be adequate for the NYISO and Market Participants to identify any additional areas of consensus and for the NYISO to prepare a comprehensive, detailed filing on how to implement a deliverability requirement that is appropriate for New York.

Very truly yours,

/s/ Karen Georgenson Gach
Karen Georgenson Gach, Esq.
NEW YORK INDEPENDENT
SYSTEM OPERATOR, INC.
10 Krey Boulevard
Rensselaer, New York 12303
(518) 356-6220
kgach@nyiso.com

cc: Shelton Cannon
Larry Gasteiger
Michael Bardee
Connie Caldwell
Kathleen Nieman
Dean Wight
Lance Hinrichs

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing transmittal letter upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 20th day of March, 2007.

/s/ Karen Georgenson Gach

Karen Georgenson Gach, Esq.
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144