

March 28, 2007

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

**Re: Informational Filing of the New York Independent System Operator, Inc. in  
Docket No. ER04-230-023**

Dear Ms. Posey:

The New York Independent System Operator, Inc. (“NYISO”) hereby respectfully submits its Informational Filing in response to the Commission’s July 20, 2006 *Order Accepting Compliance Filing*<sup>1</sup> in this docket.

In its July Order, the Commission accepted NYISO’s plan to implement a Demand Side Response (“DSR”) real-time market integration project in the third quarter of 2007, following successful implementation of the NYISO’s settlement system replacement (“SSR”) project. The DSR integration project would be the first set of updates to the new settlement system. The Commission requested, however, that the NYISO report on September 29, 2006, and quarterly thereafter, concerning its progress on the SSR project and its expected completion date.

As reported in its September 2006 Informational Filing, the SSR project will replace the NYISO’s current settlement software with a more robust and flexible system. SSR is a top organizational priority that enjoys widespread stakeholder support. As it noted in its September filing, the NYISO has frozen its existing settlement code allowing no other coding changes to the settlement software until the new system is in place. Other market or software design changes, including DSR integration projects, will be made subsequent to SSR deployment.

The Commission accepted the NYISO proposal to implement its DSR integration project -- the Demand Side Ancillary Services Program (“DSASP”) -- as the first set of enhancements to the new settlement system, in the third quarter of 2007. The DSASP continues to undergo rules and implementation design and is expected to allow DSR providers to participate in the NYISO’s real-time energy and ancillary services markets in the same way that generators do today.

The NYISO’s efforts to complete the first phase of the SSR project include completion of business requirements for the SSR including the functionality of the new system and the development of more than 90 use cases, capturing the settlement requirements of the tariff and documenting the settlement logic to be used in the new system. The NYISO has also completed the software design specifications for the SSR project.

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<sup>1</sup>116 FERC PP61,043 (“July Order”)

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The software development stage is now approximately 90 percent finished and remains on schedule for completion early in the second quarter, 2007. The software testing stage has been initiated, and both unit and integrated testing are under way to ensure the deployment of an accurate, high quality system. Testing efforts to date have gone well and any functional or technical issues identified during the process have been addressed and retested for accuracy. Testing efforts are approximately 60 percent complete and will continue until early May. Any issues identified will be resolved and retested for accuracy. NYISO's progress to date is consistent with the NYISO proposed schedule and continues to support SSR implementation before the end of the second quarter, 2007. Currently, the deployment of SSR is targeted for early June.

Following this expected on-time implementation of the new settlement system, the NYISO intends to develop and deploy the necessary settlement code to support the integration of demand side resources into the NYISO's real-time ancillary services and energy markets.

Should the NYISO discover any delays in this schedule, it will inform the Commission. The NYISO will file its next Informational Filing on or before June 30, 2007.

Respectfully submitted,

/s/ Mollie Lampi

Mollie Lampi

Assistant General Counsel

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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.

Dated at Rensselaer, New York this 28<sup>th</sup> day of March 2007.

/s/ John C. Cutting  
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