



June 4, 2004

Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Proposed Interim Scheduling Procedure for External Transactions at the Shoreham
Proxy Generator Bus; Request to Defer Action.
Docket No. ER04-791-000.

Dear Secretary Salas:

On April 30, 2004, the New York Independent System Operator ("NYISO") filed proposed tariff revisions in which it sought authority to implement an Interim Scheduling Procedure for External Transactions at the Shoreham Proxy Generator Bus (the "Interim Scheduling Procedures" and the "Shoreham Bus," respectively). The Interim Scheduling Procedures are intended to permit the implementation of an interim solution whereby all properly qualified Market Participants would be able to schedule transactions to and from the Cross-Sound Cable ("CSC") merchant transmission facility from the New York Control Area ("NYCA").

At the time of the NYISO's filing, the CSC was in operation for an indefinite duration pursuant to the Secretary of Energy's Order No. 202-03-2. On May 7, 2004, the Secretary of Energy issued Order No. 202-03-4, rescinding Order No. 202-03-2. As a result of the Secretary of Energy's Order No. 202-03-4, the operation of the CSC has ceased, and the NYISO, with the agreement of the Long Island Power Authority ("LIPA"), has temporarily ceased its efforts to implement the Interim Scheduling Procedures.¹

LIPA, Cross-Sound Cable Company, LLC ("CSC, LLC") and related entities have requested authorization from the Commission pursuant to Sections 202 and 210 of the Federal Power Act ("FPA") for the operation of the CSC. *See* Docket No. TX04-3-000.

¹ As the NYISO explained in its initial filing, LIPA had agreed to pay for the implementation of the Interim Scheduling Procedures through June 1, 2005. However, LIPA's willingness to pay was based, in part, on LIPA's expectation that the Interim Scheduling Procedures would be in place for the 2004 summer peak season. As explained below, it is no longer clear that it will still be possible to implement the Interim Scheduling Procedures in time for the 2004 summer peak season.

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LIPA has also requested the implementation of new procedures addressing the potential operation of the CSC in an emergency from the Secretary of Energy. *See* FPA § 202(c).

The delay that resulted from the rescission of the Secretary of Energy's Order No. 202-03-2 has caused the NYISO to miss a software "testing window" during which its system simulator was available to test the software necessary to implement the Interim Scheduling Procedure. As the implementation date for the NYISO's all-encompassing Real Time Scheduling ("RTS") software draws near, the NYISO's ability to schedule sufficient time to test other software applications has become extremely limited. In addition, as explained in footnote 1, it will no longer be possible to satisfy the conditions under which LIPA agreed to pay for the implementation of the Interim Scheduling Procedure.² In particular, it will not be possible to implement the Interim Scheduling Procedure in time for the 2004 summer peak period.

The NYISO has continued its efforts to develop a major software upgrade that will enable Proxy Generator Busses that represent an interconnection between the NYCA and an external controllable line to provide an equivalent range of capabilities to the Proxy Generator Busses that link New York and neighboring control areas (the "long-term solution"). When these improvements are in place, customers desiring service over the CSC are expected to have the full range of scheduling options currently offered at Proxy Generator Busses in the NYISO markets. The NYISO continues to believe that its long-term solution will be available by June, 2005.

Due to (1) the cessation of the NYISO's development efforts for a period of approximately one month, (2) the extremely limited availability of the facilities necessary to test new software, and (3) the lack of an appropriate funding source, the NYISO is unable at this time, to provide the Commission a date certain by which it would be able to implement its proposed Interim Scheduling Procedures for External Transactions at the Shoreham Proxy Generator Bus. Given sufficient lead-time, the NYISO is both willing and able to re-commence its efforts to implement the Interim Scheduling Procedures. However, given the delays that have already occurred, the fact that the summer season is already upon us and the fact that the NYISO expects the more elegant and flexible, long-term solution to be available by June 2005, neither the NYISO nor LIPA are certain that the Interim Scheduling Procedures present a necessary short-term solution to scheduling transactions between the NYCA and the CSC.

² The NYISO is opposed to requiring all New York Market Participants to pay for the development of software that is designed to permit the adequate interconnection of a single, specific merchant transmission facility (the Cross-Sound Cable). *See* the NYISO's Motion to Intervene and Protest in Docket No. ER03-600-000 (March 24, 2003).

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For the reasons set forth above, the NYISO respectfully requests that the Commission defer taking any action on its proposed Interim Scheduling Procedures, pending further request from the NYISO.

Please contact the undersigned if you have questions regarding this letter.

Respectfully submitted,

/s/ Alex M. Schnell
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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 Secretary's official service list in this proceeding.

Dated at Albany, New York, this 4th day of June, 2004.

/s/ Alex M. Schnell

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