

May 28, 2009

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: *Eighteenth Quarterly Report* by New York Independent System Operator, Inc.
in Docket Nos. ER04-230-000, ER01-3155-006, ER01-1385-015, EL01-45-014
and Docket ER04-230-034

Dear Secretary Bose:

Pursuant to the Commission's directives in its Order on Rehearing in these dockets,¹ and in its May 23, 2008 Order on Tariff Revisions in Docket ER04-230-034,² the NYISO hereby files its *Eighteenth Quarterly Report*.

In previous Quarterly Reports in these dockets, the NYISO has reported on its efforts to improve the efficient utilization of combined cycle units within the NYISO markets. Most recently, the NYISO has begun to report on its effort to accommodate batch loads and flywheel energy storage technologies in its ancillary services markets.

A. Accommodating Energy Storage Technologies and Batch Loads in the NYISO-Administered Markets

The NYISO is pleased that the Commission has adopted the tariff changes the NYISO proposed in Docket ER09-836-000 with regard to allowing flywheel energy storage technology to participate in the NYISO's markets.³ These market rules will allow newly defined "Limited Energy Storage Resources," such as Beacon's flywheel technology, to participate on an equal footing with all other Suppliers in the Regulation Service market while at the same time accommodating their unique energy storage capabilities.

The NYISO is also pleased to report that it met with Nucor representatives recently to discuss the current New York State Reliability Council ("NYSRC") rules that are or could be potential obstacles to Nucor's participation in the NYISO Ancillary Service markets. We discussed how the NYISO could assist Nucor in presenting proposed rule changes to the NYSRC to allow Nucor an opportunity to participate in the NYISO markets. The NYISO and Nucor plan to remain in contact on this issue.

¹111 FERC 61,468 (2005)

²123 FERC 61,203 (2008) ("May Order")

³127 FERC 61,135 (2009)

B. Efforts to Improve the Efficient Utilization of Combined Cycle Units

As the NYISO reported in its *Eleventh and Thirteenth Quarterly Reports*, the NYISO has decided that it can better pursue improved utilization of combined cycle facilities in its markets by enhancing its existing market rules rather than by embarking on a significant and potentially very expensive overhaul of its market software. The NYISO's comprehensive examination of its market rules to identify such potential enhancements began in 2006 and has resulted in several tariff enhancements, most recently amendments to real-time pricing rules applicable during periods in which suppliers are not following their basepoints.⁴ This review is being done in conjunction with its Market Participants during regularly scheduled MIWG meetings.⁵ Additionally, the NYISO continues to monitor the efforts of the California ISO to improve its modeling of Multi-Stage Generating Units (such as combined cycle generating plants) Should those efforts be successful, the NYISO will investigate whether that approach would be useful in New York and whether such an approach would fit within the context of the NYISO's software.

The NYISO is also pleased to report that it and its stakeholders have begun the process of resolving one of the two remaining issues of particular interest to combined cycle unit owners, that is, the problem these generator owners have with the NYISO's 75-minutes-before-the-dispatch-hour window for real-time energy offers. According to the combined cycle unit owners, the need to offer energy 75 minutes before the dispatch hour was preventing economic commitments in real-time for these gas turbines. After extensive conversations with interested Market Participants, the NYISO has proposed a method to resolve these concerns without changing the offer window by introducing a two-hour minimum run time for the gas turbines in a combined cycle owner's facility.

By incorporating a real-time two-hour minimum run time for these units, and locking their energy offers for that two-hour period, the NYISO can analyze the economic viability of the gas turbine's commitment over a two-hour period. Since the two hour minimum run period allows the combined cycle owner to more realistically price its energy offer, this new functionality allows the real-time dispatch software to better match the physical operating characteristics of the equipment with its economic value to the market.

The NYISO continues to examine the revisions that would be necessary to market software and its Tariffs with regard to the second issue of interest to combined cycle owners – allowing Market Participants to increase real-time offers for energy they scheduled in the Day-Ahead Market.⁶ It remains apparent that any change to real-time offer rules will require improvements in the NYISO's market power mitigation procedures, including the opportunity

⁴See: March 11, 2009 Letter Order in Docket No. ER09-686-000.

⁵See scheduled meetings and agendas at: http://www.nyiso.com/public/committees/documents.jsp?com=bic_miwg

⁶See MIWG presentation at: http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2008-07-01/Fuel_Related_Offer_Increases.pdf

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for the NYISO to, in real-time, reflect revisions to real-time reference prices due to changes in fuel costs, when appropriate, as generators provide the NYISO with verification of their exposure to real-time production cost increases. This functionality is being evaluated in the NYISO's market power mitigation process automation project.

The NYISO has made progress on that project and has selected a vendor to develop a new reference price software platform. The project is currently in the requirements and design phase(s) with an anticipated implementation of Phase 1 in 2010. As mentioned, this new platform is a necessary precursor to further efforts on the second of the two market issues of interest to combined cycle owners.

The NYISO respectfully requests that the Commission accept this *Eighteenth Quarterly Report*. The NYISO has electronically provided all parties in this docket with a link to the NYISO website where the filing can be viewed.

Respectfully submitted,

s/Mollie Lampi
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties listed on the official service list maintained by the Secretary of the Commission in Docket Numbers ER04-230-006, ER01-3155-006, ER01-1385-015 and EL01-45-014 in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure 18 C.F.R. § 385.2010 (2003).

Dated at Rensselaer, New York this 28th day of May, 2009.

s/ John C. Cutting
John C. Cutting
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