



October 16, 2006

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

**Status Report of the New York Independent System Operator, Inc.  
in Docket Nos. ER03-552-011 and ER03-984-009**

Dear Ms. Salas:

In its Order issued on February 22, 2006, the Commission directed the New York Independent System Operator, Inc. (“NYISO”) to file within 60 days a “timetable for implementation of the Netting Bilaterals Project that includes, *inter alia*, specific dates for completion of the COO, and realistic dates for implementation.”<sup>1</sup> In addition, the Commission directed the NYISO to submit “quarterly status reports on its progress with the Commission, within 15 days after the end of each calendar quarter, beginning with the calendar quarter ending June 30, 2006.”<sup>2</sup>

In response to the February 22 Order, the NYISO submitted a compliance filing on April 24, 2006 (“April 24 Filing”), and a quarterly status report on July 17, 2006 (“July 17 Filing”). In its responses, the NYISO set out the progress that has been made in arranging for the implementation of the Netting Bilaterals Project (“The Project”) in an achievable and cost-effective manner. Specifically, the filings presented the timeline for creating the necessary platform flexibility, availability, and performance for the Project through upcoming upgrades to the NYISO’s Market Information System (“MIS”) and its Billing and Accounting System (“BAS”). These system upgrades are essential prerequisites for the type of functionality needed to implement the Project.

Since the July 17 Filing, the NYISO has continued to progress in its development of the MIS, which is the software used by customers to submit bids and offers to the NYISO, and the BAS, which is used to generate the financial settlements for all NYISO-administered transactions. The NYISO continues to be on track to substantially improve both platforms by mid-2008. In addition, the NYISO remains on its timeline to complete the Concept of Operation (“COO”) for the Project by the end of 2007, developing the COO alongside the MIS and BAS. As described by the NYISO in its April 24 Filing, the fully developed requirements and implementation schedule for the Project can only be created following the completion of the COO.

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<sup>1</sup> *New York Independent System Operator, Inc.*, 114 FERC ¶ 61,189 at P 14 (2006).

<sup>2</sup> *Id.*

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On October 6, 2006, in response to the NYISO's April 24 Filing, the Commission referred the NYISO, Strategic, and other protesting parties to its Dispute Resolution Service to attempt to reach agreement on the implementation of the Project.<sup>3</sup> The NYISO has already had conversations with Commission Staff in this regard and looks forward to working through the dispute resolution process.

WHEREFORE, for the foregoing reasons, the NYISO respectfully submits this quarterly progress report as directed in the February 22 Order.

Respectfully submitted,

/s/Andrew S. Antinori  
Andrew S. Antinori  
Senior Attorney  
NEW YORK INDEPENDENT  
SYSTEM OPERATOR, INC.

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<sup>3</sup> *New York Independent System Operator, Inc.*, 117 FERC ¶ 61,026 at P 16 (2006).

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