

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**New York Independent System Operator, Inc. )      Docket Nos. ER05-941-000**

**MOTION OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.  
FOR EXTENSION OF TIME TO SUBMIT REPORT  
ON VIRTUAL TRANSACTIONS CREDIT REQUIREMENT**

Pursuant to Rules 212 and 2008 of the Commission’s Rules of Practice and Procedure,<sup>1</sup> the New York Independent System Operator, Inc. (“NYISO”) hereby respectfully requests an extension of time until January 31, 2006, to submit its feasibility study report on moving to a one-day Virtual Transactions credit requirement pursuant to the Commission’s July 1, 2005, Order (“July 1 Order”) in the above captioned docket.<sup>2</sup>

**I.      Statement of Issues**

In compliance with Order No. 663,<sup>3</sup> the NYISO respectfully identifies the following issue that is raised in this motion:

1.      Whether the NYISO’s Motion for Extension of Time to comply with the July 1 Order should be granted consistent with the “good cause” standard in 18 C.F.R. § 385.2008.

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<sup>1</sup>      18 C.F.R. § 385.212 and 385.2008 (2005).

<sup>2</sup>      *New York Independent System Operator, Inc.*, 112 FERC ¶ 61,004 (2005).

<sup>3</sup>      *Revision of Rules of Practice and Procedure Regarding Issue Identification*, 112 FERC ¶ 61,297 (2005).

## Copies of Correspondence

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## **II. Background**

In its July 1 Order, the Commission conditionally accepted in part and rejected in part proposed tariff revisions submitted by the NYISO on May 5, 2005, to allow an additional form of collateral and to reduce the amount of collateral required in the Virtual Transactions market. The Commission directed the NYISO to submit a compliance filing to (i) “adopt a two-day Virtual Transactions collateral window,” (ii) “submit a compliance filing . . . justifying an assumed market clearing price of 97 percent of the highest actual price experienced in the market for Virtual Transactions,” and (iii) perform a study of “the feasibility of moving to a one-day Virtual Transactions collateral window and report the results of this analysis to the Commission within 180 days.”<sup>5</sup>

On July 22, 2005, the NYISO submitted a compliance filing of “Tariff Revisions to Reduce the Collateral Required in the Virtual Transactions Market” in which the NYISO adopted

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<sup>4</sup> The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) (2004) to permit service on counsel for the NYISO in both Washington, D.C. and Richmond, Virginia.

<sup>5</sup> *New York Independent System Operator, Inc.*, 112 FERC ¶ 61,004 (2005).

a two-day Virtual Transactions collateral window, in accordance with the July 1 Order.<sup>6</sup> On August 16, 2005, the NYISO submitted its “Report in Docket No. ER05-941-000 Regarding the Use of the 97<sup>th</sup> Percentile for Virtual Transactions Credit Requirement,” in which the NYISO presented results of its report which indicated that a two-day collateral requirement based on the 50<sup>th</sup> percentile resulted in over \$1 million of financial risk in excess of collateral posted but that a two-day collateral requirement based on the 97<sup>th</sup> percentile resulted in no financial risk in excess of collateral posted.<sup>7</sup> As explained more fully below, the NYISO is currently working to satisfy the final directive of the Commission’s July 1 Order by conducting an analysis of the feasibility of moving to a one-day Virtual Transactions collateral requirement.

### **III. Motion for Extension of Time**

In its July 1 Order, the Commission directed the NYISO, with stakeholder involvement, to study the feasibility of moving to a one-day Virtual Transactions collateral requirement and to report the results of that analysis to the Commission within 180 days, by December 28, 2005. In accordance with the July 1 Order, the NYISO commissioned LECG, the NYISO’s outside economic adviser, to conduct the study. On November 21, 2005, LECG began collecting and analyzing 2004 and 2005 Virtual Transactions data in order to determine if a two-day Virtual Transactions collateral requirement is appropriate and whether a one-day requirement would provide adequate credit protection. In addition, the NYISO directed LECG to further study: (i) whether calculation of credit requirements based on the 97<sup>th</sup> percentile differential between Day-Ahead and Real-Time Energy Market prices is appropriate; and (ii) whether a ninety-day

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<sup>6</sup> *New York Independent System Operator, Inc.’s Filing of Tariff Revisions to Reduce the Collateral Required in the Virtual Transactions Market*, Docket No. ER05-941-000 (July 22, 2005).

<sup>7</sup> *New York Independent System Operator, Inc.’s Report in Docket No. ER05-941-000 Regarding the Use of the 97<sup>th</sup> Percentile for Virtual Transactions Credit Requirement*, Docket No. ER05-941-000 (August 16, 2005).

rolling average for calculation at the 97<sup>th</sup> percentile is appropriate. The results of LECG's study will indicate whether a one-day or two-day credit requirement is more appropriate for the Virtual Transactions market, and will also address the other issues noted above. LECG is scheduled to complete this work by December 23, 2005.

Upon LECG's completion of this study, the NYISO will analyze the report, and plans to present the results of it at a joint meeting of the Credit Policy Task Force and the Scheduling and Pricing Working Group in mid January 2006. At that meeting, the NYISO will solicit stakeholder input in response to the LECG study prior to preparing its report to the Commission regarding the appropriateness of a two-day credit requirement in the Virtual Transactions market. To provide sufficient time for LECG to complete its study and to allow time for the NYISO to incorporate stakeholder input, the NYISO is hereby requesting a one month extension of time to submit its report in compliance with the July 1 Order.

#### IV. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc., respectfully requests that the Commission grant its request for an extension of time until January 31, 2006, to submit its Virtual Transaction study report on the feasibility of moving to a one-day collateral window pursuant to the Commissions July 1 Order.

Respectfully submitted,

NEW YORK INDEPENDENT  
SYSTEM OPERATOR, INC.

/s/ Ted J. Murphy

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December 23, 2005

**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 Docket Nos. ER05-941-000, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure 18 C.F.R. § 2010 (2005).

Dated at Washington, D.C., this 23<sup>rd</sup> day of December 2005.

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