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July 7, 1999

By Hand

The Honorable David P. Boergers, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Status Report on Commencement of Operations  
by New York Independent System Operator, Inc.

Dear Mr. Boergers:

The New York Independent System Operator, Inc. ("New York ISO" or "ISO") and the Member Systems of the New York Power Pool ("Member Systems") are working diligently to permit the ISO to commence operations on September 1, 1999. Action by the Commission on a number of pending matters (and matters soon to be submitted) is required by the dates shown in this letter to permit the New York ISO and the Member Systems to meet that goal. The matters are listed chronologically in the order in which Commission action is requested. Several matters that can be addressed soon after the commencement of operations are listed to assist the Commission in understanding the full scope of issues the ISO and Member Systems expect to bring to the Commission's attention.

Mid-July, 1999

1. Approval of the ISO OATT, ISO Market Administration and Control Area Services Tariff ("ISO Services Tariff") and each of the ISO Related Agreements (the ISO Agreement, the Agreement Between Independent System Operator and Transmission Owners ("ISO/TO Agreement"), the New York State Reliability Counsel Agreement ("NYSRC") and the ISO/NYSRC Agreement) as revised in the April 30, 1999 filing ("Compliance Filing") made by the Member Systems to comply with provisions of the Commission's orders in *Central Hudson Gas & Electric Corp., et al.*, 83 FERC ¶ 61,352 (1999), *order on reh'g*, 87 FERC ¶ 61,135

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(1999) and in *Central Hudson Gas & Electric Corp., et al.*, 86 FERC ¶ 61,062 (1999), *reh'g pending*.

2. Approval of the First Effective Date and the Second Effective Date as described in the April 30, 1999 letter accompanying the Compliance Filing and as modified by the notice submitted by letter dated July 7, 1999. The First Effective Date, together with the Commission's approval of July 21, 1999 as the cutoff date for grandfathered transmission contracts, will permit the first TCC auction to occur prior to the opening of the new market. The Second Effective Date would be modified slightly to the extent the Commission approves the Cutover Plan being filed concurrently with this letter. Under the Cutover Plan, on the Second Effective Date, ISO operations would commence with a two-week "initial operating period" as defined in the Cutover Plan.

Approval of items (1) and (2) above by July 21, 1999 is required to allow an orderly commencement of ISO operations. Moreover, LIPA requires assurances that the changes made in the Compliance Filing to allow its participation without jeopardizing the tax-exempt status of debt issued by the Long Island Power Authority and to recognize LIPA's non-jurisdictional status under Section 201(f) of the Federal Power Act are acceptable to the Commission.

Late-August, 1999 (at least several days prior to September 1, 1999)

3. Approval of the Temporary Extraordinary Procedures filed on July 7, 1999.
4. Approval of a Cutover Plan from New York Power Pool ("NYPP") operations to ISO operations, including an initial operating period, filed on July 7, 1999.
5. Approval of the revised governance filed with the Commission on July 2, 1999.
6. Approval of an application of the New York ISO under Section 204 of the Federal Power Act to assume short-term indebtedness. The ISO requires short-term financing to meet its working capital and short-term operating needs. The application will be filed in early July, 1999.
7. Approval of the Joint Stipulation and Agreement among the Member Systems and the Municipal Electric Utilities Association of New York State and each of its Members ("MEUA") filed June 17, 1999 in *Central Hudson Gas & Electric Corp.*, Docket Nos. ER97-1523-000 *et al.*

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8. Approval of revisions to transmission contracts among the Member Systems and with third parties other than MEUA. The revisions to contracts among the Member Systems will be filed by July 9, 1999 in accordance with the Notice of Extension of Time issued June 29, 1999. The revisions to the other contracts will be filed soon thereafter.

9. Approval of a filing to be made in early July, 1999, to correct certain omissions and errors in the ISO OATT and ISO Services Tariff as filed in the Compliance Filing.

Soon After September 1, 1999

10. Approval of the details of an installed capacity (“ICAP”) auction, as provided in Section 5.12 of the ISO Services Tariff filed on April 30, 1999. Those details were supplied in response to the Commission’s directive in *Central Hudson Gas & Electric Corp.*, 86 FERC ¶ 61,062 at 61,228 (1999), *reh’g pending*. The auction will occur in mid-September for the winter capability period beginning November 1, 1999.

Other Filings

11. Approval of the Market Monitoring Plan to be filed by July 26, 1999. Specific market power mitigation measures will be filed by September 1, 1999. The ISO would like to have the Market Monitoring Plan and any specific market power mitigation measures approved by the Commission soon after commencement of ISO operations.

12. Approval of a revised ISO/TO Agreement and conforming changes to other agreements to satisfy ISO concerns. The ISO and Member Systems will file these before September 1, 1999 as soon as negotiations are completed and will request waiver of the notice requirements so as to permit them to become effective on September 1, 1999.

13. Approval of ISO recovery of payment to the Member Systems of costs associated with the start-up and formation of the ISO. A filing under Section 205 of the Federal Power Act to provide the details of the costs sought to be recovered will be made in July. Unless Section 204(f) is applicable, the ISO will also file an application pursuant to Section 204 to authorize the ISO to enter into long-term financing for payment for the start-up costs.

14. Approval of an ISO request for waiver of the Commission’s OASIS requirements to permit the ISO’s OASIS to deviate from those requirements to the extent that the information

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will not be available and will not be relevant to transmission service provided under the New York ISO's Open Access Transmission Tariff.

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Please contact either of the undersigned if the Commission or its Staff requires any additional information. The ISO and the Member Systems appreciate the Commission's assistance in meeting their goal of commencing ISO operations on September 1, 1999.

Respectfully submitted,

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cc: Official Service Lists in ER97-1523-000,  
O97-470-000 and ER97-4234-000  
(not consolidated)

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