

March 2, 2001

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By Hand

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

New York Independent System Operator, Inc.
Report After Fifteen Months of Operations
in Docket Nos. ER97-1523-000, OA97-470-000, and ER97-4234-000

Dear Mr. Boergers:

The Federal Energy Regulatory Commission (“Commission”) conditionally accepted the tariff and market rules of the New York Independent System Operator, Inc. (“NYISO”) in its January 27, 1999 Order in Docket Nos. ER97-1523-000, OA97-470-000 and ER97-4234-000 (“January 27 Order”).¹ Ordering paragraph (K) of the January 27 Order stated:

The NYISO is hereby directed to submit, within 15 months of operation, a report on the first twelve months of operation, to include (1) an evaluation of the ancillary services markets; (2) an analysis of the method and possible options in dealing with storm watch conditions; (3) an evaluation of the use of external suppliers of ancillary services; (4) its analysis and recommendations for both a reconfiguration auction and a process where parties could request a reconfiguration of [their] existing [“Transmission Congestion Contracts”]; and (5) an evaluation of the auction mechanism and any proposed changes thereto, as discussed in the body of this order.²

¹ *Central Hudson Gas & Electric Corp. et al.*, 86 FERC ¶ 61,062 (1999).

² *Id.* at 61,240.

The Honorable David P. Boergers, Secretary
March 2, 2001
Page 2

The NYISO began operation on December 1, 1999, and, by counsel, hereby submits its report after fifteen months of operation on the five topics mentioned in the January 27 Order.

Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

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List of Documents Submitted

1. This Letter;
2. New York ISO's Independent Market Advisor's Annual Report on the New York Electric Markets for Calendar Year 2000—Ancillary Services Section (Attachment I);
3. Inter-ISO Coordination of Regulation and Reserve Report prepared by NYISO Staff (Attachment II);
4. Emergency Reserve Operating Procedure Agreement between NYISO and ISO-New England (Attachment III);
5. *Federal Register* Notice (Attachment IV).

I. Evaluation of the NYISO-Administered Ancillary Services Markets

The January 27 Order requested a report evaluating the NYISO's ancillary services markets.³ The NYISO's Independent Market Advisor, David Patton, Ph.D., has prepared a report on the first twelve months of operations of the NYISO's ancillary services markets.⁴ In

³ *Id.* at 61,228.

⁴ The report on ancillary services will be part of a larger report to be prepared and filed with the

his report, which is attached as Attachment I to this letter, Dr. Patton generally finds the following:

- 1) The NYISO experienced problems in the 10-Minute Non-Spinning Reserve (“NSR”) portion of its operating reserves markets, due to physical and economic withholding in the first three months of 2000. Once the NYISO instituted a bid cap and a mandatory bidding requirement, withholding of 10-Minute NSR ceased in the reserves markets.
- 2) The NYISO has taken several actions in pricing and bidding reform, as well as modifying locational reserve requirements, that have successfully increased the capability offered in the reserves markets. The NYISO continues to work to increase further such capability.
- 3) The NYISO’s regulation market typically receives bids for adequate supply, but experiences a low participation rate from available regulation capability suppliers. The NYISO is investigating the low participation rate, and is exploring ways to increase participation.

Dr. Patton’s entire report on the ancillary services markets is appended to this letter as Attachment I.

II. Analysis of Storm Watch Issues

The January 27 Order directed the NYISO to study certain aspects of NYISO’s thunderstorm alert (“TSA”) procedures, pursuant to which the transmission system is redispached to remove load from transmission lines that are vulnerable to outages during storm watch conditions.⁵ Specifically, the Commission directed the NYISO to address the New York State Public Service Commission’s (“PSC”) proposed approach for allocating the costs associated with TSAs.⁶

Commission by Dr. Patton on the New York Electric Markets.

⁵ *Id.* at 61,225.

⁶ *Id.* at 61,224-25.

Under the NYISO's current procedure, the costs associated with a TSA are funded through a Schedule 1 charge to all loads served by the NYISO. The PSC believed that these costs should instead generally be charged to loads in downstate (*i.e.*, southeastern) New York because the downstate area is generally more vulnerable to transmission-related reliability problems when storm watch conditions arise.

The current TSA rules were an integral part of the New York Power Pool's operational procedures since 1977 when they were established by the PSC to prevent a recurrence of a major New York City blackout. The NYISO continues to apply the TSA rules. When a downstate TSA is declared, the NYISO activates special contingency rules that effectively reduce the real-time transfer capability of the Consolidated Edison ("Con Ed") overhead transmission system leading to the New York City ("NYC") area. The overhead system is the only portion of the system that is susceptible to faults resulting from lightning during a thunderstorm. During calendar year 2000, TSAs were called 55 times in the NYC area.

Although a TSA will cause additional costs to be incurred in real-time to meet downstate load beyond what was foreseen day-ahead, the NYISO does not believe that it would be appropriate to impose these costs solely on downstate load. The current system of funding TSA costs through Schedule 1 recognizes that TSAs address a problem that threatens system-wide reliability, even though the problem generally affects the downstate part of the system more directly. Loss of transmission capacity on the Upstate New York/ ConEd interface due to a severe weather event would impact the power flowing south into the downstate area and could also cause major stability problems in the entire New York Control Area ("NYCA"), and beyond. Moreover, because the bulk of the NYISO's reserves are located in NYC and Long

Island, separation of those areas as a result of a weather event will cause the rest of the system to be without reserves, even as stability problems are addressed in an emergency mode. For these reasons, it is important and appropriate that TSA procedures and costs be part of the management of the total system, not just the downstate portion.

The PSC was also concerned that because downstate real-time locational based marginal prices (“LBMP”) would increase when TSA procedures were invoked, and because the NYISO did not account for possible storm watch conditions in its day-ahead forecasts, Load Serving Entities (“LSEs”) would have an artificial incentive to bid into the Day-Ahead Market (“DAM”) whenever they anticipated thunderstorms. The PSC worried that this would result in the understatement of storm watch costs which would then have to be collected through uplift charges.

The NYISO recognizes the importance of efficient price signals, but nevertheless believes that the PSC’s concern is misplaced. If loads bid into the DAM at higher levels than usual, the consequence will indeed be a rise in the day ahead LBMP as more higher-priced generation is committed to meet the (extra) load. Whether or not storm conditions materialize subsequent to such commitment is part of the business risk assumed by market participants.

Should downstate loads bid in such a way, NYC and Long Island generation would be committed beyond what might be expected normally. Upon declaration of a TSA, generation that would have had to be brought on-line quickly to meet TSA conditions will already be on, given the commitment to meet the (higher) Day-Ahead load. In such circumstances, prices will not spike to levels that would have prevailed with lower generation commitments resulting from lower load bids.

Should storm conditions not materialize subsequent to a high level of Day-Ahead bids, then loads would merely be balancing in real-time at lower levels than usual. The real-time prices would be lower, but the loads would have borne the higher costs of the heavier Day-Ahead commitment.

The scenarios above do not address pure overbidding. It is a reasonable assumption that loads do not change the projected level of consumption in the operating day, but rather change their allocation between the Day-Ahead plan and real-time balancing.

Inherent in the foregoing discussion is the tacit recognition that the NYISO's model is designed to encourage Day-Ahead commitments. The PSC may be correct to conclude that storm conditions may lead to a larger Day-Ahead commitment. However, the NYISO believes that such commitments are the correct response to the conditions under consideration.

Finally, the NYISO has determined that the TSA procedures, which were developed at a time when New York utilities were intensely regulated, can have significant price effects when they are invoked within the framework of the NYISO-administered markets. Nevertheless, the NYISO believes that the TSA procedures should continue to be used and that the NYISO already has adequate authority to prevent the TSA procedures from causing artificial price spikes.

III. Evaluation of the Use of External Suppliers of Ancillary Services

The NYISO's original tariffs and market rules did not provide for suppliers located outside of the NYCA to participate in either the regulation or reserves markets. Prior to start-up, the entities developing the NYISO identified a number of inter-Control Area operational issues that would have to be addressed before external suppliers could effectively participate in

these markets. In the first year of operation, the NYISO and its neighboring ISOs signed a Memorandum of Understanding (“MOU”) to work jointly to improve the reliability and efficiency of all markets in the Northeastern United States, including regulation and reserves. The MOU Operations Working Group (“OWG”) has initiated a project to identify the measures that need to be taken to establish both a regional regulation market and a regional reserve market. These projects were subsequently endorsed by the Northeastern Power Coordinating Council’s (“NPCC”) Task Force on Coordination of Operation (“TFCO”) and assigned to the TFCO’s Performance Working Group for technical development.

To develop viable markets across the several ISO seams, the NYISO and the other MOU participants are working on a phased approach. In both the regulation and reserve markets, interim approaches are being developed. Each stage would build on the previous stage to create full-featured regional regulation and reserve markets. The markets could then be merged into a single market.

A. Regulation Services

Regulation services will be coordinated in three stages: 1) creation of an ACE Diversity Interchange (“ADI”); 2) establishment of Master/Satellite Control; and 3) establishment of a Wide-Area Control System.

ADI is a method to take advantage of Area Control Error (“ACE”) diversity among several Control Areas in order to reduce regulation requirements in each participating Control Area. In real-time, ACE values are netted out, exploiting the diversity of the ACE values, and allowing participants to reduce their regulation burdens. Each Control Area would retain its market design during this phase.

The Master/Satellite arrangement is similar to the operations of tight power pools in the Northeast until the late 1990s. A Master Control Area would determine the ACE and parcel it out to Satellite Control Areas. The Master Control Area would consider the response rates and ranges of each generator providing regulation service within each Satellite in determining Satellite Control Errors. The approach requires complex regulation service selection logic to ensure that suboptimal choices are not made. The differences in the regulation markets make this phase more complex, but the approach can be implemented with the existing regulation markets and control schemes in order to make efficient use of regulation resources on a wide-area basis.

With the Wide-Area Control System, a single entity would perform regulation service for the entire region, replacing the Automatic Generation Control process in each Control Area. Generators would bid available regulation into the central controller, and the central controller would then accept and apportion the regulation in order to meet the regional regulation requirements.

ADI is the phase currently in development, and is expected to take effect during the summer of 2001. The implementation dates for the remaining phases are in Attachment II.

B. Reserves Markets

The reserves markets are also being coordinated in three stages which involve: 1) enhancing Shared Activation of Reserve (“SAR”); 2) establishing a Reserve Sharing Group; and 3) establishing an inter-ISO Reserve Market.

In May 2000, the NYISO, in conjunction with the PJM Interconnection, L.L.C. and the NPCC, developed a procedure for the special handling of large contingencies on radial tie lines

crossing interconnection boundaries, such as Hydro-Quebec to the NYISO, when the flow is greater than an Area's normal largest contingency. At times, these flows may be composed of simultaneous energy deliveries to the directly connected Area and one or more other Areas. With special handling, the portion of energy not designated for the directly connected receiving Area may be allocated to other regional recipients.

In a Reserve Sharing Group, several Control Areas share operating reserve resources and coordinate activation of those resources in response to contingencies. The shared reserve resources will potentially reduce operating reserve requirements to a level that is less than the sum of the group members alone.

A fully integrated inter-ISO reserves market will require the design and development of a new market structure including reserve products, bidding mechanisms, compensation for reserve service, and compensation for energy from activated reserve. A regional reserve market coordinator would communicate with all of the generators in the Northeastern region. Generators would bid available reserve products into the regional coordinator. The regional coordinator would then accept and apportion the regulation such that regional reserve requirements were met, with due consideration to any locational reserve requirements.

The enhanced SAR is scheduled to be effective by summer 2001, and the remaining implementation dates are set forth in Attachment II.

The ultimate objective of each project will be to establish a seamless process for participation in a single Northeastern market to meet regional regulation and reserve requirements, with due consideration for all locational regulation and reserve constraints. The

NYISO and its neighbors are committed to including all interested stakeholders in the process of developing and implementing these markets.

In addition to its efforts through the MOU, the NYISO has already implemented a procedure with ISO New England, Inc. (“ISO-NE”) to share reserve resources under certain emergency conditions. Pursuant to the agreement which is appended to this letter as Attachment III, the NYISO and ISO-NE have agreed to pursue further enhancements in their reserve markets in the coming months which may serve to address and solve many of the issues identified in the MOU effort.

IV. Transmission Congestion Contract Reconfiguration Issues

The Commission directed the NYISO to consider reconfiguration auctions for Transmission Congestion Contracts (“TCCs”) sold in its market, as well as a process whereby any party could request reconfiguration of its existing TCCs.⁷ In May 2000, the NYISO began offering monthly reconfiguration auctions. In addition, during the Capability Period⁸ auctions, reconfiguration rounds are offered for the longer-term products. Thus, opportunities to rearrange longer-term commitments already exist.

Attempts to reconfigure TCCS outside of the auction process that do not involve the “unbundling” of TCCs (see discussion below) would create a number of problems. First, most requests to reconfigure TCCs outside the auction process cannot be granted. Increasingly, market participants have been bidding in the auctions for TCCs on unused portions of the

⁷ 86 FERC at 61,231.

⁸ The NYISO has two Capability Periods. The Summer Capability Period runs from May 1 through October 31, and the Winter Capability Period runs from November 1 through April 30 of the following year.

transmission system, making any reconfiguration of TCCs outside the auction process largely infeasible. Second, if TCCs were reconfigured outside of the auction, they would then have to be assigned a value. Market participants might request that a TCC be reconfigured through this process into a TCC of greater value. A TCC may acquire a greater value when the reconfigured TCC is worth more than the original TCC based on the market-clearing prices of those TCCs in the most current auction, or based on the value from the Day-Ahead Market congestion rents. Astute market participants could request that their TCCs be reconfigured not only to match potential business opportunities, but purposely to increase the value of the reconfigured TCC over the original TCC value. Thus, market participants would have a means to acquire TCCs other than through a competitive market. For these reasons, the NYISO has concluded that “bundled” TCCs should only be reconfigured through the auction process.

Nevertheless, market participants and NYISO Staff have developed an alternative, non-auction based method of reconfiguring TCCs that is workable because it will not change the set of feasible TCCs sold on the system. Under this approach, market participants can “unbundle” TCCs awarded in a TCC Auction into “street” and “highway” TCCs. Thus, a TCC awarded in an auction could be unbundled to create up to three component TCCs. One of the components would always be a “highway” component TCC, while zero, one or two “street” component TCCs may be awarded. The highway component TCC would be a zone-to-zone TCC, where the “from” zone would be the zone of the point of injection of the original TCC, and the “to” zone would be the point of withdrawal of the original TCC. If applicable, a street component TCC would be awarded from the original point of injection to the “from” zone and, if applicable, a street component TCC would be awarded from the “to” zone to the point of withdrawal of the

original TCC. If a TCC awarded in an auction were a zone-to-zone TCC, then unbundling would not take place. If the point of injection or point of withdrawal of a TCC awarded in the auction were a zone, then the applicable street TCC would not be awarded.

With the introduction of unbundled or “component” TCCs, market participants may recombine highway and street component TCCs on their own outside of the auction, and thus effectively perform their own reconfiguration. Additionally, component TCCs are more easily traded. Since the inception of unbundled TCCs, activity in the NYISO-administered auctions has increased dramatically.

Initially, monthly reconfiguration auctions were held in the last two weeks of the month preceding the start of the effective period of the TCCs sold in the auction. TCC awards were posted approximately one week prior to the start of the effective period of the TCCs. Recently, these auctions were moved earlier in the month to provide market participants additional time to consider their short-term business opportunities for reconfiguration and trading.

V. Evaluation of the Transmission Congestion Contract Auction Mechanism

A. Timing of TCC Auctions

On three separate occasions, prior to each of the summer 2000, winter 2000-2001, and summer 2001 Capability Periods, the NYISO discussed the timing of the TCC Auctions with market participants through the NYISO’s Business Issues Committee. The discussions included the TCC products to be offered, and the timing of each Capability Period’s TCC auctions. The NYISO’s OATT specifies that any TCC product must be offered in the auction, for a minimum of four rounds, unless the Member Systems agree to fewer rounds. The NYISO continues to process bids and offers for the TCC auctions without automated Internet-based software.

Recently, the NYISO has begun to require five business days per auction round for processing the bids and offers, executing the model used to determine the award of TCCs, verifying the final TCC awards and posting required auction information. The rule requiring a minimum of four rounds per TCC product offered therefore causes the number of auction rounds to grow rapidly. These Capability Period TCC auctions may span many months.

The timing of TCC auctions is important because if they are held too far in advance of the start of the effective period of the TCCs, then the NYISO will have to make more conservative assumptions as to the availability of system transfer capability. These conservative assumptions may reduce the number of TCCs that can be sold at auction. Also, market participants require some lead time prior to the start of the effective period of their awarded TCCs to take advantage of business opportunities. The results of the conversations with market participants led to a decision by the NYISO to attempt to post the TCC auction results a week prior to the start of the Capability Period. Therefore, market participants have knowledge of their TCC product purchasers from earlier rounds of the auction considerably in advance of the effective start date of the TCCs purchased.

1. Spring 2000

In the Spring 2000 TCC Auction, conducted just prior to the summer 2000 Capability Period, market participants agreed on the sale of six-month and two-year TCC products in four rounds each. In addition, one round of reconfiguration was conducted for each product. Ten rounds were conducted in all. NYISO Staff agreed to conduct each round of the auction on a three-day cycle with no market participant action required on weekends. This auction was

conducted over a five-week period with all TCCs being awarded before the start of the summer 2000 Capability Period.

2. Autumn 2000

In the Autumn 2000 TCC Auction, conducted just prior to the winter 2000-2001 Capability Period, market participants agreed on the sale of six-month, two-year and five-year TCC products. Due to the amount of time required for market participants to participate in these auctions, an agreement was reached to conduct the auction in ten rounds over a two-month period. From experience gained in the spring 2000 TCC Auction, the NYISO felt that more time was required to verify auction results. NYISO Staff agreed to conduct each auction round in four business days, and the Member Systems agreed to fewer than four rounds per TCC product sold. Five-year TCCs were sold in three rounds, while the two-year and six-month TCCs were sold in two rounds each. Also, a reconfiguration auction was held for each product.

3. Spring 2001

Recently, the NYISO Business Issues Committee considered the timing of the spring 2001 TCC Auction. Several issues were raised. The NYISO pointed out that an additional business day was required to conduct each auction round due to the increase in activity in these auctions. Plus, more time was required to check auction model inputs and verify auction results to minimize the potential for error. Some market participants continued to be interested in long-term products, while others felt that the amount of system capability available for shorter-term products was rapidly disappearing through the sale of the longer-term products. The Committee agreed to the sale of six-month TCCs in four rounds, plus reconfiguration rounds for two-year,

one-year and six-month products. The seven rounds will be conducted over a ten-week period with three regular monthly reconfiguration auctions interspersed.

B. Summaries of Previous Auctions

The NYISO has conducted two multi-round Capability Period auctions. One was held prior to the Summer 2000 Capability Period, from mid-March through the end of April. The second auction was held prior to the Winter 2000-2001 Capability Period, from the beginning of September through the end of October.

The Summer auction offered two-year and six-month products in four Stage 1 rounds per product. Additionally, a reconfiguration round (Stage 2) was held for each product. The Winter auction offered five-year, two-year and six-month products in three Stage 1 rounds for the five-year product, and two Stage 1 rounds for each of the two-year and six-month products. Market participants, through the NYISO governance structure, requested and obtained Member System approval to decrease the number of Stage 1 rounds for each product from four rounds for the Winter 2000-2001 Auction. Additionally, a reconfiguration round (Stage 2) was held for each product.

Exhibit 1 provides a summary of the Stage 1 rounds for each of these auctions. This exhibit provides, for each round, the remaining system transfer capability available for sale, the aggregate number of TCCs sold, the total revenue distributed to the Member Systems, the average \$/TCC sold and the number of bidders participating.

Exhibit 1 - Capability Period TCC Auctions for 2000

		Remaining				
		Capability				

		Available For Sale (%)	TCCs Sold	Total Revenue	\$/TCC	# of Bidders
<u>Summer 2000</u>						
2 Year						
	Round 1	8.75	446	\$16,341,283	\$36,640	17
	Round 2	8.75	453	\$16,477,457	\$36,374	15
	Round 3	8.75	437	\$16,598,692	\$37,983	14
	Round 4	8.75	486	\$15,706,532	\$32,318	14
6 Month						
	Round 1	16.25	800	\$12,180,793	\$15,226	19
	Round 2	16.25	1202	\$13,838,280	\$11,513	16
	Round 3	16.25	1538	\$12,557,319	\$8,165	16
	Round 4	16.25	1376	\$13,721,130	\$9,972	16
<u>Winter 2000/2001</u>						
5 Year						
	Round 1	7.50	433	\$16,802,484	\$38,805	11
	Round 2	7.75	452	\$16,071,671	\$35,557	12
	Round 3	7.75	508	\$21,408,700	\$42,143	14
2 Year						
	Round 1	11.50	1009	\$27,088,763	\$26,847	15
	Round 2	11.50	1172	\$27,601,106	\$23,550	16
6 Month						
	Round 1	27.00	2839	\$18,371,301	\$6,471	16
	Round 2	27.00	2811	\$14,985,872	\$5,331	19

The remaining system transfer capability in the multiple rounds for a particular TCC product was offered in equal percentages. The NYISO has found no compelling reason to offer different percentages.

In the Summer auction, the two-year product rounds show little variation in total TCCs sold, revenue produced from the auction or number of participants. Round four of the two-year product shows an increase in TCCs; however, the revenue produced was less. Auction participants began bidding for TCCs on unsubscribed, less valuable sections of the transmission system. Bidding on the six-month product followed the same bidding pattern as round four of the two-year product. Many participant bids on unsubscribed, less valuable sections of the transmission system were awarded, with some increase in revenue production.

In the Winter auction, the revenue produced from the sale of the five-year product increased significantly from the first to last round for approximately the same number of TCCs awarded. The average \$/TCC for the two-year product decreased approximately 10% in the second round from the first. The same trend was followed for the six-month product rounds.

1. Bidding Behavior

Through time, some auction participants have provided increasing numbers of bids. At one point in the Summer auction, the NYISO imposed a limit of 500 individual bids per participant when one participant provided more than 25,000 bids in a round. This quantity exceeded the optimal powerflow (“OPF”) program limitations, and the NYISO and the OPF Program determined that the program could not deal with such a large number of bids in a reasonable amount of time, if at all. This activity appears to have been speculation on the part

of some participants relative to the TCC market-clearing prices from the auction versus the price effects of DAM congestion. The original intent of TCCs was to provide a means for market participants to hedge the congestion costs associated with their energy transactions.

There has been an increase in the number of bids for “counterflow TCCs.” A counterflow TCC is one that the bidder acknowledges is most likely to be an obligation in the DAM where TCCs are financially settled. Bids for counterflow TCCs are normally provided with negative bid prices. Under this scenario, the bidder is expressing a willingness to take on the obligation acknowledged by this bid, if the auction revenues pay an amount greater than the absolute value of its bid. This is another example of auction participants using TCCs as speculative instruments.

2. NYISO Administration of the Auctions

In general, the NYISO’s shared governance structure has functioned effectively with regard to the TCC market. This is evidenced by the ability of market participants to compromise on the issue of the products to be offered in the auctions, and the Member Systems’ willingness to support fewer auction rounds per product, thereby allowing more products to be offered in the Winter auction. As issues have arisen during auctions, the NYISO has heeded market participant advice as to how they should be resolved. During the bidding process of one of the reconfiguration auctions, a major transmission facility was forced out of service and was expected to be out a significant amount of time. This outage would have a significant effect on DAM congestion, and auction participants felt that the NYISO should invalidate all submitted bids and allow auction participants to re-bid with this new information. The NYISO adopted this suggestion and re-opened the bidding process, invalidating all previous bids.

The NYISO continues to conduct the TCC auctions without automated Internet-based software to accept bids and offers, and without an automated database validation and tracking system. Bidders and offerors provide their bids and offers via email. NYISO Staff validates the bids and offers using spreadsheet applications. With the increase in auction activity volume, it is becoming more difficult for NYISO Staff to process and validate bids and offers and to track the award and sale of TCCs in these auctions. The potential for a significant error that may invalidate an auction is increasing. The NYISO Staff has initiated a software project to automate the auction bid and offer process and track TCC awards and sales. However, this project has a relatively low priority because market participants have often placed higher priorities on their preferred projects over needed internal NYISO process projects.

The vendor working with the NYISO to produce the End-State TCC Auction model has delivered a test version of the software. The NYISO had anticipated conducting a TCC Auction using the End-State model for the Winter 2000/2001 Capability Period. However, the NYISO does not anticipate conducting this type auction until the software to automate the tracking of the awards and sales of TCCs through the auction is available. An End-State type auction will increase the number of TCCs awarded, since awards will be provided for up to five years in six-month increments. Additionally, the unbundling of TCCs in August 2000 significantly increased the number of TCCs outstanding, and increased the number of TCCs eventually awarded in all auctions going forward. Also, the reconfiguration auctions for the Summer 2001 Capability Period auction allows TCC holders to offer their longer term TCCs in the shorter term reconfiguration rounds. Tracking of the TCCs offered and sold in these reconfiguration

The Honorable David P. Boergers, Secretary
March 2, 2001
Page 20

rounds will exercise the NYISO's existing tracking processes to their limits and potentially beyond.

Conclusion

WHEREFORE, the NYISO respectfully asks that the Commission accept this report on selected subjects after fifteen months of operations.

Respectfully submitted,

By _____

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The Honorable David P. Boergers, Secretary
March 2, 2001
Page 22

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