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October 4, 2001

FILE NO: 55430.43NY/#126833

BY HAND

The Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., Room 1A
Washington, D.C. 20426

New York Independent System Operator, Inc.
Compliance Filing in Docket No. ER01-2536-001

Dear Mr. Boergers,

Pursuant to Ordering Paragraph “(B)” of the Commission’s September 4, 2001 Order in this proceeding (the “September 4, 2001 Order”),² the New York Independent System Operator, Inc. (the “NYISO”) hereby submits the revenue neutral translation of the in-city bid cap into Unforced Capacity (“UCAP”) terms.

As discussed below and based on the data received by the NYISO as of the date of this filing, the revenue neutral translation is equal to \$112.95/kW of UCAP/year.

Unless otherwise defined, capitalized terms in this filing letter shall have the meaning set forth in the NYISO’s Market Administration and Control Area Services Tariff (the “ISO Services Tariff”).

I. Documents submitted

The NYISO submits the following documents:

1. This filing letter; and
2. A draft *Federal Register* Notice (Attachment I).

¹ Member of New York Bar and Virginia Bar.

² *New York Independent System Operator, Inc.*, 96 FERC ¶ 61,251 (Sept. 4, 2001).

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II. Effective Date

The NYISO proposes to make this filing effective as of the date of this compliance filing (October 4, 2001).

III. Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

Robert E. Fernandez, Esq., General Counsel
John P. Buechler, Director of Regulatory Affairs
New York Independent System Operator, Inc.
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IV. Names and Addresses of Persons to Whom a Copy Of this Filing Has Been Mailed

The NYISO has sent a copy of this compliance filing to each person designated on the official service list compiled by the Secretary in Docket No. ER01-2536-000.

³ The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) to permit service on counsel for the NYISO in both New York and Washington, D.C.

**VII. Brief Description of the Tariff Revisions and Statement
Of the Reasons for such Revisions**

The ISO Services Tariff establishes an Installed Capacity (“ICAP”) market in New York. LSEs are required to procure sufficient ICAP before each Obligation Procurement Period to meet their ICAP requirements. The NYISO qualifies Resources, which then can offer their ICAP in NYISO-administered auctions or through Bilateral Transactions (excepting certain mitigated units, which are required to offer their ICAP only in NYISO-administered auctions). The Commission approved NYISO’s ICAP market in February 2000,⁴ and originally subsequently approved a series of amendments to NYISO’s ICAP market.⁵

On July 6, 2001, the NYISO filed with the Commission a series of modifications to the ISO Services Tariff to implement a “Stage II” ICAP market design. The Stage II ICAP market design was developed by the ICAP Working Group, and approved by the Business Issues Committee and the Management Committee of the NYISO. The Stage II ICAP market design implements a UCAP methodology to rate Resources, and reduces the Obligation Procurement Period from six months to one month. The implementation of the Stage II ICAP market design, with the conversion of ICAP to UCAP, raised the question of how the \$105 cap adopted in 1998 by the Commission in its Market Power Mitigation Measures Order⁶ ought to be translated into UCAP terms.

On September 4, 2001, the Commission granted NYISO’s July 6, 2001 filing in its entirety. The Commission also directed the NYISO to file a revenue neutral translation calculation of the \$105 price cap within 30 days of its Order, finding that the “translated in-city price cap is to be fixed at an amount determined on the day of the first in-city capacity auction

⁴ New York Independent System Operator, Inc., *Filing of Transitional Installed Capacity Market Design*, Docket Nos. ER97-1523-012, ER97-4234-009 and OA97-470-011.

⁵ *Order Accepting Compliance Filing*, 95 FERC ¶ 61,406 (ER00-1483-001, June 15, 2001); *New York Independent System Operator*, 93 FERC ¶ 61,034 (Oct. 11, 2000); *New York Independent System Operator, Inc., et. al.*, 93 FERC ¶ 61,186 (Nov. 21, 2000); *New York Independent System Operator, Inc.*, Docket No. ER00-3740-001 (Sept. 14, 2001); *New York Independent System Operator, Inc.*, ER01-1213-000 (Mar. 28, 2001).

⁶ *Order Accepting Market Power Mitigation Measures, as Modified, for Filing*, 84 FERC ¶ 61, 287 (September 22, 1998).

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under UCAP methodology, by multiplying the total ICAP of the in-city generators subject to mitigation by the current price cap of \$105, and dividing the resulting total by the UCAP of the in-city mitigated generation from the most recent 12-month period." September 4, 2001 Order at 7. In mathematical terms, the translated cap equals ICAP times \$105 divided by UCAP, where "ICAP" and "UCAP" are defined as the sums of the ICAP and UCAP available from Generators subject to market power mitigation measures (the "Subject Generators") as calculated by the NYISO using the most recent twelve-month period.

The first ICAP auction administered by the NYISO under the UCAP methodology was the 2001-2002 Winter Capability Period Auction (also called "strip auction") on October 1, 2001. During this auction, ICAP Suppliers had the opportunity to offer and LSEs had the opportunity to bid UCAP for the months of November 2001 through April 2002. The ISO Services Tariff requires the NYISO to qualify ICAP Suppliers on the basis of each Supplier's twelve-month rolling average of Operating Data. Section 5.12.6(a), ISO Services Tariff. All ICAP Suppliers had to submit their Operating Data for the month of August 2001 by September 20, 2001. Section 5.12.5, ISO Services Tariff; Section 4.4, ICAP Manual. Thus, as of October 1, 2001, the most recent twelve-month period of In-City mitigated generation data was September 2000 through August 2001.

On the basis of DMNC test results submitted by each Subject Generator, the NYISO has calculated the amount of ICAP that each Subject Generator is individually qualified to supply In-City. The sum of this ICAP is equal to 6449.1 MW of ICAP. The NYISO has also calculated the amount of UCAP that each Subject Generator is individually qualified to supply pursuant to formulae set forth in Attachment J of the ICAP Manual and using Operating Data for the period of September 2000 through August 2001. The sum of the UCAP available from Subject Generators is equal to 5995.1 MW of UCAP.

Thus, the revenue neutral translation of the In-City cap is equal to $(6449.1 \times \$105)/5995.1$. This represents a cap of \$112.95/kW of UCAP per year. The NYISO notified each Subject Generator directly and all Market Participants through the TIE email list of this translation on Friday, September 28, 2001.

VIII. No Costs Relating to Discriminatory Employment Practices

The NYISO has no knowledge of any relevant expenses or costs of service that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative or unnecessary costs that are demonstrably the product of discriminatory employment practices.

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IX. Federal Register Notice

A form of *Federal Register* Notice is provided as Attachment I hereto. A diskette of the notice is also provided.

Respectfully submitted,

Kathy Robb
Counsel for
New York Independent System Operator, Inc.

Attachment

cc: Alison Silverstein, Advisor to Commissioner Wood, Rm. 11B-3, Tel. 202/208-0388
Mary C. Morton, Advisor to Commissioner Brownell, Rm. 10F-09, Tel. 202/208-0642
Office of Commissioner Breathitt, Rm. 11C-3, Tel. 202/208-0377
Wilbur C. Earley, Advisor to Commissioner Massey, Rm. 11D-2, Tel. 202/208-0366

Daniel L. Larcamp, Director, Office of Markets, Tariffs & Rates, Rm. 8A-01,
Tel. 202/208-2088

Alice M. Fernandez, Director, Division of Tariffs & Rates-East, Rm. 82-15,
Tel. 202/208-0089

Andrea C. Wolfman, Lead Counsel for Market Oversight and Enforcement, Rm. 9E-01,
Tel. 202/208-2097

Stanley P. Wolf, Office of the General Counsel, Rm. 101-03, Tel. 202/208-0891

Michael A. Bardee, Lead Counsel for Markets, Tariffs & Rates, Rm. 101-09,
Tel. 202/208-2068

ATTACHMENT I

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York Independent System Operator, Inc.) Docket No. ER01-2536-001

NOTICE OF FILING

Take notice that on October 4, 2001 the New York Independent System Operator, Inc. (“NYISO”) filed a compliance filing in the above-captioned proceedings. The NYISO was required to submit this compliance filing pursuant to *New York Independent System Operator, Inc.*, 96 FERC ¶ 61,251 (Sept. 4, 2001).

A copy of this filing was served upon all persons designated on the official service list compiled by the Secretary in Docket No. ER01-2536-000.

Any person desiring to be heard or to protest this filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 385.214). All such motions or protests should be filed on or before _____. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this application are on file with the Commission and are available for public inspection. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

David P. Boergers
Secretary

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties in Docket No. ER01-2536-000 in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 2010 (2001).

Dated at Washington, D.C. this 4th day of October 2001.

Catherine A. Karimi
Sr. Professional Assistant
Hunton & Williams
1900 K Street, N.W.
Washington, DC 20006-1109