UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York Independent System Operator, Inc.	**)**	**Docket No. ER04-449-003**
	)	**Docket No. ER04-449-007**
	)	**Docket No. ER04-449-008**

COMPLIANCE FILING AND MOTION OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC. FOR A FURTHER EXTENSION OF TIME

Pursuant to the Orders issued by the Federal Energy Regulatory Commission ("Commission" or "FERC") on August 6, 2004 and June 2, 2005 and the Commission's May 5, 2006 Notice of Extension of Time in the above captioned proceeding,[1] and pursuant to Rules 212 and 2008 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212 and 385.2008 (2005), the New York Independent System Operator, Inc. ("NYISO"), respectfully submits this compliance filing and requests additional time to continue working with its Market Participants to determine how best to reconcile the concept of generation capacity deliverability with the unique characteristics of NYISO administered markets in the New York Control Area. The NYISO has been collaborating with its Market Participants under a Work Plan approved by the Commission in June 2005 to study and address the deliverability of generation output to customers. Significant progress has been made on studying the deliverability of capacity on the New York Bulk Power System, developing a definition of deliverability, and developing a deliverability test methodology.

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[1] *New York Independent System Operator, Inc., et al.*, 108 FERC ¶ 61,159 ("August 6, 2004 Order"), *order on reh'g, New York Independent System Operator, Inc., et al.*, 111 FERC ¶ 61,347 (2005) ("June 2, 2005 Order"). See also *New York Independent System Operator, Inc., et al., Notice of Extension of Time*, Docket Nos. ER04-449-003, *et al.*

Nevertheless, due to the complexity of issues presented, the Market Participants have not yet agreed on how to reconcile the concept of generation capacity deliverability with New York markets. Consequently, the NYISO staff has been working for the past few months with its consultants and Market Participants to revise and extend the deliverability analysis Work Plan, to build on the substantial work that has been done, and to deal effectively with the many complex and interrelated issues associated with the concept of capacity deliverability. New York will shortly need considerable additional generation and strengthened transmission facilities. The NYISO is concerned that hasty or ill considered action on deliverability could reduce the efficiency of its markets, discourage the entry of additional generation, or unfairly burden particular market segments or the public.

A copy of the revised Work Plan is attached to this compliance filing as Attachment A. The revised Work Plan has been reviewed with Market Participants in meetings of the Interconnection Issues Task Force held during March through early June, 2006. The Work Plan is comprised of a series of steps, some sequential and some concurrent, with work to be conducted over a twelve-month period from June 2006 to June 2007. The NYISO firmly believes that these steps, and this time period, are required to adequately address and effectively resolve the many issues associated with capacity deliverability.

The NYISO understands that some of the New York Transmission Owners ("TOs") will be making their own compliance filing. In their Request for Clarification dated May 4, 2006, the TOs argued[2] that the Commission's Orders in this proceeding clearly require that (i) the NYISO

[2] *See Request for Clarification, Request for Extension of Compliance Deadline and Request for Waiver of Notice Requirements of the New York Transmission Owners* at 5-7 (May 4, 2006) ("TO Motion"). *See also New York Independent System Operator, Inc., et al.*, 115 FERC ¶61,206 (May 18, 2006) (rejecting TO's Request for Clarification).

must offer a second interconnection service option with a certain type of deliverability component, (ii) a generator must interconnect under this second service option to participate in NYISO capacity markets, and (iii) such a generator must pay 100% of the cost of the transmission system upgrades associated with its election of the second service option. The TOs also argued that the NYISO should be required to implement this second interconnection service option and make the necessary changes to its interconnection procedures, cost allocation procedures, capacity markets and related tariff provisions, all within a period of time considerably shorter than the Work Plan proposed by NYISO with this compliance filing.[3] Significantly, the TOs nowhere describe how their proposal improves upon NYISO's existing locational ICAP markets and interconnection and cost allocation procedures.

In fact, the extensive record in this proceeding is more complicated than the TO position suggests, and the issues are too complex and too significant to be effectively resolved within the time frame proposed by the TOs. As discussed below, the Commission has explicitly declined to truncate a productive shareholder process or prejudge the outcome of that process. By this compliance filing and revised Work Plan, the NYISO proposes to continue working diligently, and carefully, to respond fully and effectively to the previous Orders in this proceeding, and to do so in a manner that insures continued system reliability and functional competitive markets in New York.

The attached Work Plan calls for the NYISO to continue its efforts to refine a single deliverability test methodology and to conduct a further study of the New York State Transmission System to determine the presence of bottled generating capacity. Refinement of the test methodology and Supplemental Final Report on the bottling of generating capacity on

[3] *Id.*

the New York State Transmission System is expected to take three months. The deliverability test and study would serve as the springboard for further discussions to determine whether, and if so, how changes should be made to the: (i) interconnection process, (ii) Installed Capacity markets, (iii) Transmission Congestion Contracts markets; and (iv) other NYISO market structures, such as the Installed Capacity Demand Curve. Moreover, the Work Plan calls for communication with the New England and PJM ISOs to avoid creating new seams issues. Because of the substantial amount of work called for in the Work Plan, the NYISO hereby seeks a one year extension of time to make a further compliance filing, with continued quarterly status reports and schedule updates for the Commission's review.

I. COMMUNICATIONS

The NYISO respectfully requests that communications regarding this proceeding should be addressed to:

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[4] The NYISO respectively requests waiver of 18 C.F.R. § 385.203(b)(3) (2005) to permit service on counsel for the NYISO in both Washington, D.C. and Richmond, Virginia.

II. BACKGROUND

During the Commission's rulemaking on standardization of generator interconnection agreements and procedures,[5] there was much debate on the scope of interconnection service, and the definition for the two proposed interconnection products, Energy Resource Interconnection Service ("ERIS") and Network Resource Interconnection Service ("NRIS").[6] In Order No. 2003, the Commission described the intended purpose of Network Resource Interconnection Service.

> Network Resource Interconnection Service is intended to provide . . .an interconnection of sufficient quality to allow the Generating Facility to . . . be treated in the same manner as . . . [other generating Facilities] for purposes of assessing whether aggregate supply is sufficient to meet aggregate load within the . . . Control Area, or other area customarily used for generation capacity planning. Thus, with Network Resource Interconnection Service, the Interconnection Customer would be eligible to obtain . . . . network access service under the tariff of an RTO or ISO, without the need for additional Network Upgrades.
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> . . . . Network Resource Interconnection Service does not necessarily provide the Interconnection Customer with the capability to physically deliver the output of its Generating Facility to any particular load on the system without incurring congestion costs . . . . Network Upgrades required under Network Resource Interconnection Service integrate the Generating Facility into the Transmission System in a manner that ensures aggregate generation can meet aggregate load while satisfying regional reliability criteria and generation capacity planning requirements. However, these upgrades do not necessarily eliminate congestion.
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> . . . . In general, . . . [a single interconnection option that meets only a minimum interconnection standard] . . . would not provide an interconnection that meets the standard that the Transmission

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[5] *See Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 68 Fed. Reg. 49,845 (Aug. 19, 2003), FERC Stats. & Regs. P 31,146 (2003), *order on reh'g*, Order No. 2003-A, 69 Fed. Reg. 15,932 (Mar. 26, 2004), FERC Stats. & Regs. P 31,160 (2004), *order on reh'g*, Order No. 2003-B, 70 Fed. Reg. 265 (Jan. 4, 2005), FERC Stats. & Regs. P 31,171 (2004), *order on reh'g*, Order No. 2003-C, 70 Fed. Reg. 37,661 (June 30, 2005), FERC Stats. & Regs. P 31,190 (2005).

[6] *See* Order No. 2003 at P 751.

> Provider uses to interconnect its own generators. The Commission notes, however, that in regions where the Transmission System is operated by an independent entity, the Commission allows flexibility . . . . For example, an independent entity may determine, subject to Commission approval, that the designation of Network Resources is not necessary . . ."[7]

In response to Order No. 2003, the NYISO and TOs made a joint compliance filing[8] that proposed a single interconnection product, Network Access Interconnection Service ("NAIS"), ". . . to enable the New York State Transmission System to receive electric energy and capacity from the Large Generating Facility or Merchant Transmission Facility at the Point of Interconnection. . ."[9] The NYISO and TOs proposed Large Facility Interconnection Procedures with interconnection studies that apply a variety of established control area reliability criteria, but no specific deliverability test or deliverability requirement beyond the Minimum Interconnection Standard.[10]

In describing the proposed NAIS and relating the service to Order No. 2003, as well as to established features of the NYISO administered markets, the NYISO and TOs noted the following:

> . . . a number of the NYISO's market participants have expressed the view that the NYISO should adopt locational or regional deliverability requirements for installed capacity resources in the New York Control Area. While there is not universal agreement among the NYISO's stakeholders regarding this issue, sufficient interest has been expressed on this topic such that the NYISO has agreed to work within its existing committee process to analyze the

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[7] Order No. 2003 at PP 768-70.

[8] *See Joint Compliance Filing of the NYISO and the New York Transmission Owners*, Docket No. ER04-449-000 (Jan. 20, 2004) ("Joint Compliance Filing").

[9] NYISO Open Access Transmission Tariff ("OATT'), Attachment X at Section 1 (definition of NAIS).

[10] *See id.* at Section 3.2 (describing the NAIS product) and Section 1 (definition of Minimum Interconnection Standard).

> implications of locational and regional deliverability requirements in New York. Both the NYISO and its stakeholders recognize that this would be a substantial change in its current practice and that issues such as the impact on existing resource adequacy procedures, cost and cost allocation issues, and the need for grandfathering provisions must be thoroughly investigated and resolved.[11]

Recognizing the need to analyze the numerous issues related to possible deliverability requirements for installed capacity resources, the NYISO and TOs committed to " . . . work with stakeholders in good faith to explore the implications of maintaining the status quo or adopting a locational or regional deliverability requirement."[12]

In its Order of August 6, 2004, the Commission conditionally accepted the joint interconnection compliance filing of the NYISO and the TOs. As to the issue of interconnection service, the Commission noted that having a transmission provider offer generators both the *pro forma* ERIS and NRIS was a crucial component of Order No. 2003. "However, . . . the New York Control Area, presents regional circumstances that make developing a second level [NRIS in addition to ERIS] difficult. . ."[13] The Commission noted that the proposed "NAIS is a different service than either NRIS or ERIS; it combines elements of both . . . while NAIS does allow the Interconnection Customer's power to flow on the New York State Transmission System, it does not address where on the New York System the power can go."[14] The Commission accepted the proposed NAIS but directed the NYISO and TOs to study the *pro*

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[11] Joint Compliance Filing, Transmittal Letter at 9.

[12] *Id.* at 10.

[13] *New York Independent System Operator, Inc., New York Transmission Owners,* 108 FERC ¶ 61,159 at P 24 (2004) ("August 6 Order"). Order No. 2003 allows the NYISO to seek independent entity variations from the *pro forma* provisions of the Final Rule based on regional circumstances. *See* Order No. 2003 at PP 822-27.

[14] August 6 Order at P 25.

forma NRIS concept, and to develop a plan and tariff modifications to address the purposes of NRIS, and to integrate the *pro forma* concept into the NYISO's existing market-based congestion management system and locational installed capacity requirements.[15] The Commission agreed with the NYISO and TOs " . . . that the collaborative stakeholder process should be allowed to determine how to integrate a deliverability component into its interconnection service."[16]

Following the August 6 Order, the Long Island Power Authority requested clarification that the August 6 Order required that the NYISO modify its tariff to include a level of interconnection service with a delivery requirement for capacity resources.[17] The NYISO and other transmission owners requested clarification that by its August 6 Order, the Commission did not intend to prejudge the results of the deliverability study process and related stakeholder deliberations.[18] As the NYISO and other transmission owners explained:

> One possible outcome of that study process may be a recommendation to the Commission that a deliverability requirement as the Commission has described it is not necessary or appropriate in the interconnection products for the NYISO administered markets. . . . (emphasis added).
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> . . . the NYISO could conclude that its existing interconnection process provides for a sufficient deliverability requirement in light of its locational based marginal pricing ("LBMP") energy market and its locational installed capacity market and that the NYISO's

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15 *Id.* at PP 26-27.

16 *Id.* at P 28.

17 *See Request for Clarification of the Long Island Power Authority and LIPA*, Docket No. ER04-449-000, et at. (Sept. 7, 2004); *see also Answer of Niagara Mohawk Power Corp., a National Grid Company, to Requests for Clarification and/or Rehearing*, Docket No. ER04-449-000, et al. (Sept. 22, 2004).

18 *See Request for Clarification or, in the Alternative, Rehearing of the New York Independent System Operator, Inc. and New York Transmission Owners*, Docket No. ER04-449-003, at 3-4 (Sept. 7, 2004).

> process is entitled to be considered a legitimate regional difference or variation. [19]

On June 2, 2005, the Commission issued an order ("June 2 Order") responding to the requests for clarification and/or rehearing of the August 6 Order. The Commission clarified as follows:

> . . . there are two competing principles at work. The first is that offering a second level of interconnection service with a component of deliverability is a crucial component of Order No. 2003. The second is that the NYISO is a distinctive region and New York's stakeholders should have the flexibility to craft a system appropriate to its specific needs. . . . The Commission declines to prejudge the outcome of those efforts. . . . we will allow the various stakeholders to address the issues . . . and make a future filing with the Commission. We expect the stakeholders in New York to continue working towards the goal of offering two levels of deliverability service. However, we also recognize that each independent system operator faces unique challenges that require unique solutions.[20] (Emphasis added).

Thus, the Commission left the door open for the NYISO to address the deliverability issue in a way that effectively reconciles the requirements of Order No. 2003 with the unique characteristics and requirements of established New York markets.

The NYISO continued to collaborate with the Market Participants throughout the spring and summer of 2005, and filed a status report on July 1, 2005. Discussions between July and October 2005 focused on the methodology to be used to recognize the probabilistic nature of generator forced outage rates. In its October 1, 2005 Status Report, the NYISO reported that it had analyzed the base case and the planning case to assess potential generation deliverability problems under four alternative deliverability assessment methodologies.

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[19] *Id.* at l, 4.

[20] *New York Independent System Operator, Inc.*, Order on Rehearing, 111 FERC ¶ 61,347, at PP 13-14 (June 2, 2005) ("June 2 Order").

On November 30, 2005, the NYISO, with support from its Market Participants, filed a motion for an extension of time to submit its Final Study Report and its deliverability compliance filing. The motion stated that the NYISO required additional time in order to apply multiple deliverability analysis methodologies and to accommodate analyses requested by the Market Participants. On December 5, 2005, the Commission granted the NYISO's request, and directed that the Final Study Report be filed on or before March 3, 2006 and that the deliverability compliance filing should be filed on or before May 6, 2006.[21]

On March 3, 2006, the NYISO filed its fourth Status Report and a Deliverability Method Development and Testing Report ("Report") completed with its consultant, PowerGEM, and the Market Participants. The final Report examined whether the current and planned New York Bulk Power System was sufficient to deliver generating capacity to loads. The Report analyzed the deliverability of electric generating capacity under five methodologies and provided voluminous data that has served, and will continue to function as the basis for further discussions with the NYISO's Market Participants. The NYISO concluded that, under all five methods, the 2005 and 2009 New York Bulk Power System has sufficient thermal capability to deliver generation to loads under emergency conditions. The Report also determined that when using some of the methods, varying amounts of generation were not fully deliverable, or were "bottled," within certain parts of the transmission system in upstate New York, New York City and on Long Island. The NYISO found that certain instances of generation "bottling" could be relieved by merely adjusting Phase Angle Regulators ("PARS"), especially in New York City and on Long Island. The NYISO said that it would undertake further study of the Bulk Power

[21] *See New York Independent System Operator, Inc.*, Notice of Extension of Time, Docket Nos. ER04-449-003, ER04-007 and ER04-449-008 (December 5, 2005).

System using the Multi-Area Reliability Simulation ("MARS") model to include intra-zonal transfer limits. Sensitivity studies identified additional intra-zonal bottling of generating capacity on particular Bulk Power Transmission Facilities, but none led to an inability to serve load. The NYISO stated that the methods testing and sensitivity study results would provide a basis for further refinement of capacity deliverability testing methods, and deliverability policy and market design discussions among its Market Participants.[22]

On May 5, 2006, the Commission issued a Notice of Extension of Time extending until June 7, 2006 the compliance filing required by the Commission's prior Orders.[23] On May 18, 2006, the Commission rejected the TOs' Motion as an untimely request for rehearing of its June 2, 2005 Order on Rehearing.[24] As discussed below, the NYISO has continued to work on the deliverability issues throughout this time.

III. COMPLIANCE STATEMENT ON PROGRESS MADE BY THE NYISO AND ITS MARKET PARTICIPANTS BASED UPON THE MARCH 2005 DELIVERABILITY REPORT

Subsequent to filing the Report in March 2006, the NYISO has held nine meetings and conference calls with the Market Participants on capacity deliverability issues. The stakeholder meetings and conference calls have focused on: (i) developing a definition of capacity "deliverability" on the New York Transmission System; (ii) crafting a single test for the deliverability of capacity in the NYISO; and (iii) a Work Plan for further progress on addressing

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[22] The NYISO filed a revised Deliverability Method Development and Testing Report on March 28, 2006, that corrected a modeling error concerning the transfer capability of the Neptune PJM to Long Island High Voltage Direct Current Cable.

[23] *See New York Independent System Operator, Inc.*, Notice of Extension of Time, Docket Nos. ER04-449-003, ER04-007 and ER04-449-008 (May 5, 2006).

[24] *See New York Independent System Operator, Inc., et al.*, 115 FERC ¶ 61,206 (May 18, 2006).

deliverability in New York's interconnection and cost allocation process and its capacity market mechanisms. The following definition of deliverability in New York is currently under discussion:

> At the transmission system-wide level, deliverability means the ability of the aggregate of generation to serve the aggregate of load to meet resource adequacy criteria. From a capacity resource perspective, on an intra-zonal or inter-zonal basis, deliverability means the capability of the transmission system to transmit that aggregate of generation that is in surplus (after due allowance for the randomness of facility outages and load uncertainty) to that aggregate of load that is in deficiency (after the same due allowance) under capacity emergency conditions, without causing reliability criteria violations.

The NYISO and Market Participants have also made progress in crafting a single capacity deliverability test methodology for determining whether generating capacity is "bottled," or not fully deliverable. Working with its consultant, PowerGEM, the NYISO has proposed a conceptual "straw man" deliverability test methodology for discussion with its Market Participants. The proposed test method is based upon two of the five methodologies used in the March 3, 2006 Report to study potential deliverability issues on the Bulk Power System. The final test methodology must be repeatable, transparent and readily available to Market Participants. Open issues include whether the deliverability test can or should be applied to determine the bottling of generating capacity by NYISO Superzone (New York City, Long Island and Rest of State), by the eleven NYISO Zones, or by the NYISO Subzones, and how the test could be applied to capacity resources external to the New York Control Area.

IV. THE COMMISSION SHOULD GRANT THE NYISO MORE TIME TO RESOLVE THE DELIVERABILITY OF ELECTRIC GENERATING CAPACITY WITH ITS MARKET PARTICIPANTS

The Commission previously granted additional time for the NYISO and Market Participants to respond to its Orders, and that time has been well used. Together the stakeholders

and the NYISO have completed the March 3, 2006 Report, and this Report has served as the basis for further fruitful discussions with the Market Participants on defining deliverability and crafting a deliverability test methodology appropriate for the New York Control Area. Nevertheless, as recognized by the Commission, the issues presented by capacity deliverability in New York are complex and unique. Accordingly, the NYISO worked with the Market Participants at meetings in April and May to craft another Work Plan for resolution of remaining issues over the next year.

Ultimately, the purpose of the revised Work Plan is to respond fully and effectively to the requirements of Order No. 2003 while carefully taking account of the functional installed capacity markets and other unique characteristics of the New York Control Area. No consensus has yet been reached on how to do this. The NYISO's goal is to do this in a comprehensive and coordinated way that maintains reliability and competition, and avoids market disruptions, misallocation of transmission upgrade resources, or any other unintended adverse consequences for NYISO administered markets or Market Participants.

Specific questions that need to be addressed and resolved include the following: (i) If the concept of deliverability includes physical attributes, how must those be effectively reconciled with the financial attributes of current New York markets? (ii) Should a measurement of deliverability address reliability or economics or both? (iii) Should it be measured only at the time of interconnection or periodically after interconnection? (iv) If measured at the time of interconnection, which projects should first be subject to a new deliverability standard?[25]

[25] *See* Attachment X of the NYISO OATT for a description of the current interconnection procedures for large generators and merchant transmission projects. None of the multiple interconnection studies contained in Attachment X includes a deliverability test or a deliverability requirement beyond the Minimum Interconnection Standard. Nor do the

(continued…)

(v) How should the cost of deliverability upgrades be allocated among the various Market Participants: existing and future generators and merchant transmission developers, small generators, and load serving entities?[26] (vi) What changes should be made in the various methodologies currently used to allocate the responsibility for the cost of system upgrades?[27] (vii) What changes should be made to the eligibility criteria for participation in locational Installed Capacity markets?[28] (viii) What changes should be made to existing Transmission Congestion Contract markets?[29] (ix) What changes should be made to existing tariff provisions relating to transmission system upgrades requested by developers to reduce congestion costs?[30] (x) What would be the impacts of capacity deliverability on the ICAP Demand Curve? (xi) How should the NYISO integrate the concept of deliverability, and the treatment of capacity resources external to New York, into its markets to avoid creating any inter-ISO seams issues in the Northeast?

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procedures jointly proposed by the NYISO and TOs for the interconnection of small generators, which are currently pending before the Commission. *See Joint Order No. 2006 Compliance Filing* of the NYISO and TOs in Docket No. ER06-311-000 (Dec. 8, 2005).

[26] *See* Attachment S of the NYISO OATT for a description of the current rules for allocating the cost of interconnections. Interconnection facility costs are allocated between transmission owners and project developers, and among project developers, in accordance with detailed "but for" allocation rules. Attachment S, which required an intensive stakeholder process in excess of 18 months to develop and implement, specifically excludes from its scope the allocation of deliverability upgrade costs, or the cost of transmission upgrades intended to reduce congestion. The cost allocation study for the Class Year 2006 will begin on June 27.

[27] *See also*, in addition to Attachment S, Attachment Y and Sections 19.0 and 32.0 of the NYISO OATT.

[28] *See* Sections 5.9 through 5.16 of the NYISO Market Administration and Control Area Services Tariff for a description of the current rules relating to the New York Installed Capacity markets.

[29] *See* Attachments M and N to the NYISO OATT for a description of the current Transmission Congestion Contract markets.

[30] *See* Sections 19.0 and 32.0 of the NYISO OATT for a description of the current procedures covering transmission system upgrades intended to reduce congestion.

Given the time included in the revised Work Plan and with substantial additional work, the NYISO believes that a meaningful level of consensus can be reached on these and other issues and, ultimately, about how best to integrate the requirements of Order No. 2003 with the functional capacity markets and other unique characteristics of the NYISO administered markets.

Attached hereto is a Work Plan that is intended to enable the NYISO to resolve the remaining issues regarding deliverability in New York. The Work Plan was reviewed with the Market Participants at meetings of its Interconnection Issues Task Force ("IITF") in March, April, May and June. At the outset, the Work Plan calls for the NYISO to continue its efforts to refine a single deliverability test methodology and to conduct a further study of the New York State Transmission System to determine the presence of bottled generating capacity. The NYISO expects to finalize the test methodology and complete a Supplemental Final Report on the deliverability of generating capacity on the New York State Transmission System within the first three month of the Work Plan. The NYISO will file the Supplemental Final Report with its first quarterly status report to the Commission.

The deliverability test and study will serve as the springboard for further discussions to determine whether, and if so, how changes should be made to the interconnection process and to the Installed Capacity markets, respectively. Moreover, the Work Plan calls for communication with the New England and PJM RTOs to avoid the creation of seams issues. Because of the substantial amount of work called for in the Work Plan, the NYISO hereby seeks a one year extension of time to make a compliance filing, with quarterly status reports and schedule updates for the Commission's review. The NYISO intends to resolve the numerous issues associated with deliverability with its Market Participants within that year. Depending on the resolution reached on these issues and the scope of the changes that will be needed to implement changes,

the NYISO expects that crafting tariff, software, manual and billing and payment changes may take additional time.

Under the circumstances discussed herein, the NYISO believes that its request for a further extension of time of one year is reasonable.

V. CONCLUSION

WHEREFORE, in view of the foregoing, the NYISO respectfully requests that the Commission accept this Compliance filing and the attached Work Plan, grant an extension of one year to resolve the issues associated with capacity deliverability among its Market Participants, and to make a further compliance filing.

Respectfully submitted,

NEW YORK INDEPENDENT
SYSTEM OPERATOR, INC.

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June 7, 2006

CERTIFICATE OF SERVICE

I hereby certify that I have on this day caused this Compliance Filing and Motion of the New York Independent System Operator for a Further Extension of Time to be served upon each party on the official service list compiled by the Secretary. I have also caused to be served electronically a copy of this filing on the official representative of each of its customers, on each participant in its stakeholder committees, and caused paper copies of this filing to be served on the New York State Public Service Commission, and on the electric utility regulatory agencies of New Jersey and Pennsylvania.

Dated at Washington, DC this 7th day of June, 2006.

/s/ Arnold H. Quint

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ATTACHMENT A

REVISED STEP-BY-STEP WORK PLAN FOR FURTHER DELIVERABILITY ANALYSIS

(For the Period June 2006 through June 2007)

1. Complete the development of a provisional definition of deliverability, taking into account relevant tariff provisions, market rules and Commission precedent. Refine and finalize the definition of deliverability on the basis of the work done in subsequent steps of the work plan.

2. Complete the development of a single provisional testing methodology, and related application specifications, to measure deliverability, taking into account the provisional definition developed in step one. Refine and finalize the testing methodology on the basis of the work done in subsequent steps of the work plan.

3. Using the provisional definition developed in step one, and the provisional testing methodology developed in step two, conduct a study to identify the presence and amount of generating capacity that is bottled in New York.

4. Concurrently with the study work in step three, work with members of appropriate stakeholder groups to develop conceptual solutions that (a) fully respond to Commission interconnection orders and address the principles of the Commission's *pro forma* Network Resource Interconnection Service and deliverability, generally, and that also (b) carefully take account of the unique characteristics of established NYISO markets and procedures, including the capacity markets, the TCC markets, interconnection procedures and interconnection cost allocation procedures.

5. On the basis of the work done in step four, work with members of appropriate stakeholder groups to develop possible ways to address any deliverability issues identified in the study conducted in step three.

6. Develop specific modifications to established NYISO markets and procedures that would be needed to implement the conceptual solutions developed in step four. Specific modifications to be considered will include modifications to the current eligibility criteria for resource participation in the capacity markets, modifications to current interconnection procedures, and modifications to the various methodologies currently used to allocate the responsibility for, and provide compensation for, the cost of system upgrades.

7. Review the conceptual solutions and specific modifications developed in steps four and six to ensure that they will not degrade reliability, disrupt market operations, misallocate resources for unnecessary system upgrades, or create any other significant unintended adverse consequences. Revise the conceptual solutions and implementing modifications, as necessary and appropriate, as a result of this review.

8. Communicate with PJM and ISO New England concerning the work done in steps one through seven to ensure that the solutions and implementing modifications do not create any seams issues.

9. During the one-year period covered by this work plan, the NYISO will file quarterly reports with the Commission, These quarterly reports will describe the work completed and the current status of the work being conducted, and will include any completed studies and other relevant documents as attachments,

10. At the conclusion of the one-year period covered by this work plan, the NYISO will submit a compliance filing to the Commission that describes the resolution of the reliability and economic deliverability issues that were identified during the period covered by the work plan, and describes the NYISO's proposal to integrate the Commission's deliverability principles contained in its interconnection orders into the New York markets.

Schedule:

The NYISO expects to complete steps one through three within the first three months of the Work Plan period. Significant work has already been completed on steps one and two, the development of a definition of deliverability and a test methodology. As soon as steps one and two are finalized and the study called for in step three begins, the NYISO can, with stakeholder input, move ahead with steps four and five. Whether the NYISO will be in a position to file tariff amendments at the conclusion of the one year Work Plan period is highly dependant on the outcome of stakeholder discussions, particularly in steps four and five. If the resolution reached requires significant modifications to multiple sections of the NYISO's Tariffs, additional time may be required.