

February 24, 2009

The Honorable Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

Re: *Seventeenth Quarterly Report* by New York Independent System Operator, Inc. in Docket Nos. ER04-230-000, ER01-3155-006, ER01-1385-015, EL01-45-014 and Docket ER04-230-034

Dear Secretary Bose:

Pursuant to the Commission's directives in its Order on Rehearing in these dockets,<sup>1</sup> and in its May 23, 2008 Order on Tariff Revisions in Docket ER04-230-034,<sup>2</sup> the New York Independent System Operator, Inc. ("NYISO") hereby files its *Seventeenth Quarterly Report*.

In previous Quarterly Reports in these dockets, the NYISO has reported on its efforts to improve the efficient utilization of combined cycle units within the NYISO markets. Most recently, the NYISO has also begun to report on its effort to accommodate batch loads and flywheel energy storage technologies in its ancillary services markets.

A. Accommodating Energy Storage Technologies and Batch Loads in the in the NYISO-Administered Markets

The NYISO is pleased to report further progress on the two impediments that previously existed with regard to allowing flywheel energy storage technology to participate in the NYISO's markets. Market rules to incorporate newly defined "Limited Energy Storage Resources," such as Beacon Power Corporation's flywheel technology, into the regulation markets have been approved by the NYISO's January 27, 2009 Management Committee (MC). These will be filed with the Commission before the end of the first Quarter of 2009 with the intention of allowing flywheel technology to offer Regulation Service no later than the end of second quarter 2009.

As well, revisions to the Northeast Power Coordinating Council's ("NPCC") Document A-06 "Operating Reserve Criteria"<sup>3</sup> to remove the applicability of Section 3.7, and its one-hour sustainability rule, from Regulation Service have been approved by NPCC members. This rule change will allow Regulation Service to be provided by technologies that may be unable to sustain energy production for an hour, including the limited energy storage devices which the

<sup>1</sup> 111 FERC 61,468 (2005)

<sup>2</sup> 123 FERC 61,203 (2008) ("May Order").

<sup>3</sup> <http://www.npcc.org/viewDoc.aspx?name=A-06.pdf&cat=regStandCriteria>

NYISO is including in its Regulation Services market through Services Tariff amendments expected to be filed in the first quarter of 2009.

The NYISO has not met with Nucor Steel Auburn (“Nucor”) representatives recently. As the NYISO mentioned in its *Fifteenth Quarterly Report*, Nucor is currently eligible to provide Installed Capacity or emergency energy assistance as a Demand Response Provider under the NYISO’s Special Case Resource<sup>4</sup> and Emergency Demand Response programs.<sup>5</sup> The NYISO also understands that Nucor is not interested in offering Regulation Service at the present time. The NYISO remains committed to working with batch loads such as Nucor to increase their opportunities to participate in the NYISO markets given within the framework of applicable reliability requirements.

**B. Report On Efforts To Improve The Efficient Utilization Of Combined Cycle Units**

As the NYISO reported in its *Eleventh and Thirteenth Quarterly Reports*, the NYISO has decided that it can better pursue improved utilization of combined cycle facilities in its markets by enhancing its existing market rules rather than by embarking on a significant and potentially very expensive overhaul of its market software. The NYISO’s comprehensive examination of its market rules to identify such potential enhancements began in 2006 and most recently resulted in the filing of proposed enhancements to real-time pricing rules applicable during periods in which suppliers are not following their basepoints.<sup>6</sup> This review is being done in conjunction with its Market Participants during regularly scheduled Market Issues Working Group (“MIWG”) meetings.<sup>7</sup> Additionally, the NYISO is monitoring the efforts of the California ISO to improve their modeling of Multi-Stage Generating Units (such as combined cycle generating plants). Should their efforts be successful, the NYISO will investigate whether their approach would be useful in New York and whether such an approach would fit within the context of the NYISO’s software.

Two issues remain of particular interest to combined cycle unit owners. These are: i) reducing the 75-minute window within which real-time energy offers must be submitted and ii) being provided an opportunity to increase real-time offers for energy scheduled in the Day-Ahead Market. The NYISO intends to examine them with its stakeholders either in this comprehensive examination of its market rules or otherwise.

The NYISO’s 75-minute window before the dispatch hour for submitting real-time offers to sell energy allows the NYISO sufficient time to evaluate internally and with neighboring Control Areas transactions that are scheduled at its borders and to efficiently commit and dispatch internal generation in support of those schedules. As discussed with market participants

---

<sup>4</sup> See: NYISO Market Administration and Control Area Services Tariff, Article 5.12.11 (a)

<sup>5</sup> Ibid., Attachment G

<sup>6</sup> See: Letter to Secretary Bose from Mollie Lampi, dated February 10, 2009, Docket No. ER09-686-000

<sup>7</sup> See scheduled meetings and agendas at: [http://www.nyiso.com/public/committees/documents.jsp?com=bic\\_miwg](http://www.nyiso.com/public/committees/documents.jsp?com=bic_miwg)

in the MIWG, revisions to the NYISO's scheduling protocols for transactions across its borders is being investigated as one of several potential long-term efforts to better manage Lake Erie loop flow.<sup>8</sup> These investigation efforts have begun internally and will continue with stakeholder reviews through the first three quarters of 2009. Should transaction scheduling protocols at its borders change, the NYISO will re-examine the time required for real-time offers to be made and recommend changes to the current time window as appropriate.

The NYISO continues to examine the revisions that would be necessary to market software and its Tariffs to allow market participants to increase real-time offers for energy they scheduled in the Day-Ahead Market.<sup>9</sup> It remains apparent that any change to real-time offer rules will require improvements in the NYISO's real-time market power mitigation procedures, including the opportunity for the NYISO to, in real-time, reflect revisions to real-time reference prices, when appropriate, as generators provide the NYISO with verification of their exposure to real-time production cost increases. This functionality is being evaluated in the NYISO's market power mitigation process automation project. The NYISO is currently evaluating vendor responses to its Request for Proposal for a new reference price software platform. This new platform is a necessary pre-cursor to further efforts on the second of the two market issues of interest to combined cycle owners.

The NYISO respectfully requests that the Commission accept this *Seventeenth Quarterly Report*. The NYISO has electronically provided all parties in this docket with a link to the NYISO website where the filing can be viewed.

Respectfully submitted,

*s/Mollie Lampi*

Mollie Lampi, Assistant General Counsel  
New York Independent System Operator, Inc.  
10 Krey Blvd  
Rensselaer, NY 12144  
(518) 356-7530  
[mlampi@nyiso.com](mailto:mlampi@nyiso.com)

---

<sup>8</sup> See MIWG presentations at  
[http://www.nyiso.com/public/webdocs/committees/bic\\_miwg/meeting\\_materials/2008-11-03/long\\_term\\_solutions\\_loop\\_flow.pdf](http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2008-11-03/long_term_solutions_loop_flow.pdf),  
[http://www.nyiso.com/public/webdocs/committees/bic\\_miwg/meeting\\_materials/2008-12-16/scheduling\\_modeling\\_practices\\_lt\\_solutions.pdf](http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2008-12-16/scheduling_modeling_practices_lt_solutions.pdf),  
[http://www.nyiso.com/public/webdocs/committees/bic\\_miwg/meeting\\_materials/2009-02-06/Scheduling\\_and\\_Modeling\\_Practices.pdf](http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2009-02-06/Scheduling_and_Modeling_Practices.pdf)

<sup>9</sup> See MIWG presentation at: [http://www.nyiso.com/public/webdocs/committees/bic\\_miwg/meeting\\_materials/2008-07-01/Fuel\\_Related\\_Offer\\_Increases.pdf](http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2008-07-01/Fuel_Related_Offer_Increases.pdf)

Honorable Kimberly Bose  
February 24, 2009  
Page 4

cc:

Shelton Cannon  
Larry Gasteiger  
Michael Bardee  
Connie Caldwell  
Kathleen Nieman  
Lance Hinrichs  
John Yakobitis  
Rachel Spiker  
Gregory Berson  
Jeffrey Honeycutt

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all parties listed on the official service list maintained by the Secretary of the Commission in Docket Numbers ER04-230-006, ER01-3155-006, ER01-1385-015 and EL01-45-014 in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure 18 C.F.R. § 385.2010 (2003).

Dated at Rensselaer, New York this 24th day of February, 2009.

---

Joy Kimberlin  
New York Independent System Operator, Inc.  
10 Krey Blvd.  
Rensselaer, NY 12144