

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

OFFICE OF ENERGY MARKETS AND RELIABILITY

New York Independent System
Operator, Inc.
Docket No. EL06-72-003

Issued: 12/14/06

Ballard Spahr Andrews & Ingersoll, L.L.P.
601 13th Street, NW, Suite 1000 South
Washington, D.C. 20005-3807

Attention: Howard H. Shafferman
Counsel for New York Independent System Operator, Inc.

Reference: Compliance filing submitting supplemental report updating progress made in the New York Independent System Operator, Inc.'s consideration of changing the method for allocating Import Rights to external Installed Capacity

Dear Ladies and Gentlemen:

On October 27, 2006, you submitted, on behalf of New York Independent System Operator, Inc. (NYISO), a compliance report pursuant to the Commission's order issued on June 29, 2006 (June 29, 2006 Order)¹.

In the June 29, 2006 Order, the Commission required NYISO to propose improvements to the import allocation process so that both the requestor and NYISO know when an allocation process begins. In addition, the June 29, 2006 Order directed NYISO to consider whether external rights should be awarded on a *pro rata* basis among all bidders who submit bids within some interval rather than continue the allocation on an "all or nothing basis."

On August 28, 2006, NYISO submitted its compliance filing in response to the Commission's June 29, 2006 Order.² The August 28, 2006 compliance report: (1)

¹ *New York Independent System Operator, Inc.*, 115 FERC ¶ 61,383 (2006).

² The August 28, 2006 submittal was accepted by the Commission on October 12, 2006. *New York Independent System Operator, Inc.*, Docket No. EL06-72-002 (October

identified revisions to the Installed Capacity (ICAP) Manual designed to improve the transparency of the external ICAP import rights allocation procedures, and (2) explained the status of consideration by NYISO and its stakeholders of changes to the allocation methodology. NYISO also stated that it would supplement its August 28, 2006 filing to inform the Commission of any further changes to Section 4.9.2 resulting from additional stakeholder input.

On October 27, 2006, NYISO filed a supplemental compliance report addressing progress made in its consideration of changing the method for allocating Import Rights to external Installed Capacity. NYISO states that it held four stakeholder meetings which revealed a lack of support for the proposition that a *pro rata* allocation methodology is superior to a first-come, first-serve methodology. As a result, NYISO states that no revisions will be made to its external Installed Capacity process. Additionally, NYISO states its intent to allow participants to continue to propose new Import Rights allocation proposals. NYISO's October 27, 2006 submittal satisfactorily complies with the requirements of the Commission's June 29, 2006 Order and is accepted.

Notice of the filing was published in the Federal Register with comments, protests and interventions due on or before November 17, 2006. None was filed.

This acceptance for filing shall not be construed as constituting approval of any rate, charge, classification, or any rule, regulation, or practice affecting such rate or service provided for in the filed documents; nor shall such action be deemed as recognition of any claimed contractual right or obligation affecting or relating to such service or rate; and such acceptance is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against your company.

This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713.

Sincerely,

Larry D. Gasteiger, Director
Division of Tariffs and Market
Development - East